

Web Proof Information Pack of



KAISA GROUP HOLDINGS LTD.

佳兆業集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

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SUMMARY

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.,

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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%

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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.

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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.

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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 (sq.m.)	Total GFA (sq.m.)	Completed properties (sq.m.)	Under development (sq.m.)	For future development	Interest attributable to us
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 (金萃園)	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	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	149,736	—	—	100%
14	Guangzhou Jiangnan Boulevard (廣州江南大道)	Guangzhou	Commercial	—	8,579	53,809	—	117,575	—	100%
15	Zhongyang Haomen (中央豪門)	Dongguan	Residential	1-4	70,938	387,602	69,166	174,853	53,809	100%
16	Dongfang Haomen (東方豪門)	Dongguan	Residential	1-3	86,324	262,060	—	143,583	143,583	100%
17	Dijingwan (帝景灣)	Dongguan	Residential	—	43,884	122,118	—	197,709	—	100%
18	Yantian (雁田)	Dongguan	Residential	1-2	54,548	136,370	—	64,351	—	80%
19	Jincheng Heights (錦城山莊)	Huizhou	Residential	1-2	89,998	267,995	—	136,370	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 (圓洲項目)	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 (江陰總部濱園)	Jiangyin	Residential	1-3	158,240	465,990	—	—	465,990	100%
31	Shanghai Shanhuan 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	2,563,414	1,388,764	6,739,479	
Total (inclusive)⁽⁴⁾						5,415,475	14,792,715	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.

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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:

		Saleable GFA								
		Total saleable								
		Project phase	Total GFA or estimated total GFA	GFA or estimated saleable GFA	Residential	Office	Retail	Car parking space	Interest attributable to us	Completion time or estimated completion time
Project	Location									
			(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.

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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)	(RMB’000)
	(unaudited)				
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

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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	<u>5,731,740</u>	<u>10,469,104</u>	<u>13,297,193</u>	<u>14,001,481</u>
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	<u>5,088,753</u>	<u>7,859,997</u>	<u>10,195,720</u>	<u>10,532,046</u>
Total equity	<u>642,987</u>	<u>2,609,107</u>	<u>3,101,473</u>	<u>3,469,435</u>
Total equity and liabilities	<u>5,731,740</u>	<u>10,469,104</u>	<u>13,297,193</u>	<u>14,001,481</u>

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)	(RMB'000)
				(unaudited)	
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

SUMMARY

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.

SUMMARY

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.

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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.

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(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.

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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.

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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.

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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 . . .	<u>1,267.5</u>	<u>873.9</u>	<u>1,629.0</u>	<u>2,444.1</u>	<u>2,138.4</u>

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

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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.

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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 (sq.m.)	Estimated total investment/ cost ⁽³⁾ (RMB millions)	Payments/ Costs incurred as of September 30, 2009 (RMB millions)	Additional cost to be incurred ⁽⁴⁾ (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⁾

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No.	Contractual Arrangement ⁽¹⁾	Location	Date of Agreement ⁽²⁾	Site Area (sq.m.)	Estimated total investment/ cost ⁽³⁾ (RMB millions)	Payments/ Costs incurred as of September 30, 2009 (RMB millions)	Additional cost to be incurred ⁽⁴⁾ (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

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No.	Contractual Arrangement ⁽¹⁾	Location	Date of Agreement ⁽²⁾	Site Area (sq.m.)	Estimated total investment/ cost ⁽³⁾ (RMB millions)	Payments/ Costs incurred as of September 30, 2009 (RMB millions)	Additional cost to be incurred ⁽⁴⁾ (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						<u>1,207.2</u>	

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

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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

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- 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

SUMMARY

- 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

SUMMARY

- 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.

SUMMARY

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:

<u>No.</u>	<u>Subject</u>	<u>Original terms</u>	<u>Amended terms</u>
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

SUMMARY

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.

SUMMARY

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

SUMMARY

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

SUMMARY

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.

DEFINITIONS

“Ace Start”	Ace Start Enterprises Limited, an investment holding company incorporated in the BVI on May 2, 2007 and an indirect wholly owned subsidiary of our Company
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally approved and adopted on [●], 2009, as amended, supplemented or otherwise modified from time to time
“Associates”	has the meaning ascribed thereto under the Listing Rules
“Baytree”	Baytree Investments (Mauritius) Pte Ltd, an investment holding company organized under the laws of Mauritius, and an indirect wholly owned subsidiary of Temasek whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company, our subsidiaries and our connected persons. Baytree is an Investor Shareholder
“Beifang Investment”	Beifang Investment (China) Limited, an investment holding company incorporated in BVI on October 18, 2006 with limited liability which is wholly owned by Friendship (China), a company ultimately wholly owned by the Kwok Family
“Beijing Jinmao”	北京金貿財迅信息有限公司 (Beijing Jinmao Caixun Xinxi Co., Ltd.), a limited liability company established in the PRC on December 5, 2005 and an indirect wholly owned subsidiary of our Company
“Beijing Kaisa”	北京佳兆業投資諮詢有限公司 (Beijing Kaisa Investment Consultation Company Limited), a limited liability company established in the PRC on August 6, 2009 and an indirect wholly owned subsidiary of our Company
“Big Progress”	Big Progress Investments Limited, a company incorporated in the BVI and wholly owned by Mr. Kwok Chun Wai
“Board”	the board of Directors
“Boluo Kaisa Property”	博羅縣佳兆業房地產開發有限公司 (Boluo Kaisa Property Development Co., Ltd.), a limited liability company established in the PRC on June 2, 2008 and an indirect wholly owned subsidiary of our Company
“Boluo Kaisa Zhiye”	博羅縣佳兆業置業有限公司 (Boluo Kaisa Zhiye Co., Ltd.), a limited liability company established in the PRC on June 2, 2008 and an indirect wholly owned subsidiary of our Company

DEFINITIONS

“business day”	any day (excluding Saturday, Sunday or public holidays) on which banks in Hong Kong are generally open for business
“Business Holding Companies”	Jie Feng, Heng Chang, Guang Feng and Ye Chang
“BVI”	British Virgin Islands
“CAGP”	Carlyle Asia Growth Partners III, L.P., an exempted limited partnership formed under the laws of the Cayman Islands, acting by its general partner CAGP General Partner, L.P., an exempted limited partnership formed under the laws of the Cayman Islands (“CAGP LP”) which acts itself by its general partner CAGP, Ltd., an exempted company incorporated under the laws of the Cayman Islands, and an investment fund and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons. CAGP is an Investor Shareholder
“CAGP III”	CAGP III Co-Investment, L.P., an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner CAGP LP which acts by its general partner CAGP, Ltd., and an exempted company incorporated under the laws of the Cayman Islands and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons. CAGP III is an Investor Shareholder
“CAREP”	Carlyle Asia Real Estate Partners, L.P., an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner Carlyle Asia Real Estate Ltd., an exempted company incorporated under the laws of the Cayman Islands and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons
“CAREP II”	Carlyle Asia Real Estate Partners II, L.P., an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner Carlyle Asia Real Estate Ltd., an exempted company incorporated under the laws of the Cayman Islands and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons
“CBD”	central business district

DEFINITIONS

“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Centaline”	深圳中原物業顧問有限公司 (Shenzhen Centaline Property Consultants Ltd.), 中原地產代理(深圳)有限公司惠州分公司 (Centaline Real Estate Agency (Shenzhen) Ltd., Huizhou branch), 中原地產代理(深圳)有限公司湖南分公司 (Centaline Real Estate Agency (Shenzhen) Ltd. Hunan branch), 四川中原物業顧問有限公司 (Sichuan Centaline Property Consultants Ltd.), 上海中原物業代理有限公司 (Shanghai Centaline Property Agency Ltd.) and 南京中原房地產營銷顧問有限公司 (Nanjing Centaline Real Estate Marketing Consultants Ltd.)
“Chang Ye”	Chang Ye Investment Company Limited (昌業投資有限公司), an investment holding company incorporated in the BVI on July 23, 2007 and an indirect wholly owned subsidiary of our Company
“Chang Yu”	Chang Yu Investment Company Limited (昌裕投資有限公司), a company incorporated in the BVI on July 23, 2007, which is indirectly held by the Kwok Family Trust, a discretionary family trust, the beneficiaries of which include the Kwok Family and their immediate family members
“Chengdu Kaisa Investment”	成都佳兆業投資有限公司 (Chengdu Kaisa Investment Co., Ltd.), a limited liability company established in the PRC on June 22, 2007 and an indirect wholly owned subsidiary of our Company
“Chengdu Kaisa Property”	成都佳兆業房地產開發有限公司 (Chengdu Kaisa Property Development Co., Ltd.), a limited liability company established in the PRC on July 31, 2006 and an indirect wholly owned subsidiary of our Company
“Chengdu Kaisa Property Management”	成都市佳兆業物業管理有限公司 (Chengdu Kaisa Property Management Co., Ltd.), a limited liability company established in the PRC on January 30, 2008 and an indirect wholly owned subsidiary of our Company
“Chengdu Nanxing”	成都南興銀基房地產開發有限公司 (Chengdu Nanxing Yinji Property Development Co., Ltd.), a limited liability company established in the PRC on November 5, 2004 and an indirect wholly owned subsidiary of our Company
“Chengdu Zhaoruijing”	成都兆瑞景商務服務有限公司 (Chengdu Zhaoruijing Business Services Co., Ltd.), a limited liability company established in the PRC on January 29, 2008 and an indirect wholly owned subsidiary of our Company

DEFINITIONS

“Cheung Kong Holdings”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange
“China” or “the PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this document, references in this document to China or the PRC exclude Hong Kong, Macau and Taiwan
“China Agriculture”	China Agriculture Technology Limited, an investment holding company incorporated in the BVI on March 18, 2004 and an indirect wholly owned subsidiary of our Company
“China Dong Sheng Agriculture”	China Dong Sheng Agriculture Technology Limited, an investment holding company incorporated in Hong Kong on November 1, 2007 with limited liability and an indirect wholly owned subsidiary of our Company
“China Manfort”	China Manfort Properties Limited, an investment holding company incorporated Hong Kong on September 28, 2007 and an indirect wholly owned subsidiary of our Company
“Chinese Government” or “the PRC Government”	the central government of the PRC, including all political and governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“China Real Estate Top 10 Research Team”	中國房地產Top 10研究組, a PRC real estate research organization jointly established by the Development Research Center of the State Council (國務院發展研究中心), the Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院), each of which is independent of and not connected with our Company or our subsidiaries
“Clever Cosmo”	Clever Cosmo Limited, an investment holding company incorporated in the BVI and wholly owned by Mr. Kwok Ying Chi
“commodity properties”	residential properties, commercial properties and other buildings that are developed by real estate developers for the purposes of sale or lease after their completion
“Companies Law”	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)

DEFINITIONS

“connected persons”	has the meaning ascribed to it under the Listing Rules
“construction land planning permit”	建設用地規劃許可證, a permit issued by a local urban zoning and planning bureau or an equivalent authority in China
“construction project environmental impact assessment approval”	建設項目環境影響審查批復, an approval issued by the state or local environmental protection authorities with respect to the assessment of the environmental impact of a construction project
“construction works commencement permit”	建築工程施工許可證, a permit issued by a local construction committee or an equivalent authority in China
“construction works planning acceptance and compliance certificate”	建設工程規劃驗收合格證, a certificate issued by the local urban zoning planning authorities that the development has been accepted as completed in accordance with approval plans
“construction works planning permit”	建設工程規劃許可證, permit issued by local urban zoning and planning bureaus or equivalent authorities in China
“Controlling Shareholders”	the Kwok Family, Da Chang, Da Feng, Da Zheng and Chang Yu, the controlling Shareholders (as defined in the Listing Rules) of our Company
“Cornwell Holdings”	Cornwell Holdings (Hong Kong) Limited (冠華基業集團（香港）有限公司), an investment holding company incorporated in Hong Kong on September 7, 1993 and an indirect wholly owned subsidiary of our Company
“Credit Agreement”	the credit agreement dated August 24, 2007 (as amended and restated on September 12, 2007 and October 24, 2009) in respect of the US\$200 million term loan facility between our Company and the Lenders
“CSRC”	China Securities Regulatory Commission (中華人民共和國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“CSS”	Credit Suisse, Singapore Branch, an overseas branch of Credit Suisse, a joint stock corporation established under Laws of Switzerland which is wholly-owned by Credit Suisse Group. CSS is a Lender and a Warrantholder
“Da Chang”	Da Chang Investment Company Limited (大昌投資有限公司), an investment holding company incorporated in the BVI on July 23, 2007 and a Shareholder, is wholly owned by Chang Yu

DEFINITIONS

“Da Feng”	Da Feng Investment Company Limited (大豐投資有限公司), an investment holding company incorporated in the BVI on July 23, 2007 and a Shareholder, is wholly owned by Chang Yu
“Da Hua”	Da Hua Investment Company Limited (大華投資有限公司), an investment holding company incorporated in the BVI on July 23, 2007 and an indirect wholly owned subsidiary of our Company
“Da Zheng”	Da Zheng Investment Company Limited (大正投資有限公司), an investment holding company incorporated in the BVI on July 23, 2007 and a Shareholder, is wholly owned by Chang Yu
“Deed of Non-competition”	a deed of non-competition dated [●], 2009, given by each of the Controlling Shareholders in favor of our Company
“Director(s)”	the director(s) of our Company as of the date of this document
“Dong Chang”	Dong Chang Investment Company Limited (東昌投資有限公司), an investment holding company incorporated in the BVI on July 25, 2007 and an indirect wholly owned subsidiary of our Company
“Dong Sheng”	Dong Sheng Investment Company Limited (東升投資有限公司), an investment holding company incorporated in the BVI on July 25, 2007 and an indirect wholly owned subsidiary of our Company
“Dongguan Kaisa Property”	東莞市佳兆業房地產開發有限公司 (Dongguan Kaisa Property Development Co., Ltd.), a limited liability company established in the PRC on September 6, 2004 and an indirect wholly owned subsidiary of our Company
“Dongguan Kaisa Property Management”	東莞市佳兆業物業管理有限公司 (Dongguan Kaisa Property Management Co, Ltd.), a limited liability company established in the PRC on July 18, 2007 and an indirect wholly owned subsidiary of our Company
“Dongguan Yinglian”	東莞市盈聯實業投資有限公司 (Dongguan Yinglian Shiye Investment Co., Ltd.), a limited liability company established in the PRC on April 11, 2007 and held as to 90% by Mr. Lin Daohong (our employee who is not connected with our Company and its subsidiaries) and as to 10% by Mr. Zou De (our employee who is not connected with our Company or its subsidiaries) in trust for Mr. Kwok Chun Wai
“Dongguan Yingsheng”	東莞市盈盛房地產開發有限公司 (Dongguan Yingsheng Property Development Co., Ltd.) (formerly known as 東莞市盈盛實業投資有限公司 (Dongguan Yingsheng Shiye Investment Co., Ltd.)), a limited liability company established in the PRC on March 3, 2006 and an indirect wholly owned subsidiary of our Company

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“Dongguan Yingtai”	東莞市盈泰房地產開發有限公司 (Dongguan Yingtai Property Development Co., Ltd.) (formerly known as 東莞市盈泰貿易有限公司 (Dongguan Yingtai Trading Co., Ltd.)), a limited liability company established in the PRC on January 4, 2007 and an indirect wholly owned subsidiary of our Company
“Dongguan Yingyan”	東莞市盈雁房地產開發有限公司 (Dongguan Yingyan Property Development Co., Ltd.), a limited liability company established in the PRC on July 4, 2008 and held as to 80% by Dongguan Kaisa Property and as to 20% by Dongguan Fenggang Yantian Enterprise Development Company
“Eastern Asia”	Eastern Asia Investment (China) Limited, an investment holding company incorporated in BVI on October 18, 2006 with limited liability which is wholly owned by Friendship (China), a company ultimately wholly owned by the Kwok Family
“Empire Glory”	Empire Glory Limited, an investment holding company incorporated in the BVI and owned as to 50% by Mr. Kwok Ying Shing and as to 50% by Mr. Kwok Ying Chi
“Fenglong Group”	豐隆集團有限公司 (Fenglong Group Co., Ltd.), a limited liability company established in the PRC on October 29, 1993 and indirectly owned as to 55% by our Company and 45% owned by other shareholders whose ultimate beneficial owners are independent of and not connected with our Company, our subsidiaries and our connected persons
“FIREE”	外商投資房地產企業 Foreign Invested Real Estate Enterprise
“Forum”	Forum Asian Realty Income II, L.P., an exempted limited partnership formed under the laws of the Cayman Islands, acting by its general partner Forum Asian Realty Income II GP Limited, an exempted company formed under the laws of the Cayman Islands and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons. Forum is a Lender, a Warrantholder and an Investor Shareholder
“Friendship (China)”	Friendship (China) Investment Limited, an investment holding company incorporated in Hong Kong on August 13, 2004 with limited liability which is owned as to 33% by Clever Cosmos, as to 33% by Year Up and as to 34% by Speed Elite Investments Ltd., and a company wholly owned by the Kwok Family
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth)

DEFINITIONS

“GFA”	gross floor area
“Group”	our Company and our subsidiaries or, where the context refers to any time prior to its establishment, the businesses which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it pursuant to the Restructuring
“Growth Ahead”	Growth Ahead Investments Limited, an investment holding company incorporated in the BVI and wholly owned by Mr. Kwok Ying Shing
“Guang Feng”	Guang Feng Investment Company Limited (廣豐投資有限公司), a company incorporated in the BVI on July 23, 2007 and an indirect wholly owned subsidiary of our Company
“Guangdong Kaisa Property”	廣東佳兆業房地產開發有限公司 (Guangdong Kaisa Property Development Co., Ltd.), a limited liability company established in the PRC on July 12, 2007 and an indirect wholly owned subsidiary of our Company
“Guangzhou Jiasui”	廣州市佳穗置業有限公司 (Guangzhou Jiasui Zhiye Co., Ltd.), a limited liability company established in the PRC on May 31, 2006 and an indirect wholly owned subsidiary of our Company
“Guangzhou Jinmao Property”	廣州金貿房地產開發有限公司 (Guangzhou Jinmao Property Development Co., Ltd.), a limited liability company established in the PRC on October 27, 2005 and an indirect wholly owned subsidiary of our Company
“Guangzhou Jinmao Property Management”	廣州金貿物業管理有限公司 (Guangzhou Jinmao Property Management Co., Ltd.), a limited liability company established in the PRC on June 22, 2006 and an indirect wholly owned subsidiary of our Company
“Guangzhou Xinhongrui”	廣州市新鴻銳實業有限公司 (Guangzhou Xinhongrui Shiye Co., Ltd.), a limited liability company established in the PRC on July 24, 1998 and held as to 60% by Mr. Zhan Qiongmeng (a former director of each of Guangzhou Jinmao Property and Chengdu Nanxing) and as to 40% by Ms. Zhan Huihua (the spouse of Mr. Zhan Qiongmeng) in trust for Mr. Kwok Chun Wai
“Guangzhou Zhaoruijing”	廣州市兆瑞景商務服務有限公司 (Guangzhou Zhaoruijing Commerce Service Co., Ltd.), a limited liability company established in the PRC on December 11, 2007 and an indirect wholly owned subsidiary of our Company

DEFINITIONS

“Havewill Investments”	Havewill Investments Limited, an investment holding company incorporated in the BVI and wholly owned by Mr. Kwok Ying Chi
“Heng Chang”	Heng Chang Investment Company Limited (恒昌投資有限公司), an investment holding company incorporated in the BVI on July 23, 2007 and an indirect wholly owned subsidiary of our Company
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by the Hong Kong Institute of Certified Public Accountants, which includes the Hong Kong Accounting Standards and their interpretations
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huidongxian Dongsheng”	惠東縣東升農業科技開發有限公司 (Huidongxian Dongsheng Agriculture Technology Development Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on March 12, 2007 and an indirect wholly owned subsidiary of our Company
“Huidongxian Kaisa”	惠東縣佳兆業投資有限公司 (Huidongxian Kaisa Investment Co., Ltd.), a limited liability company established in the PRC on November 20, 2007 and an indirect wholly owned subsidiary of our Company
“Huizhou Canrong”	惠州燦榮房產有限公司 (Huizhou Canrong Property Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on January 14, 1994 and an indirect wholly owned subsidiary of our Company
“Huizhou Huasheng”	惠州市華盛投資有限公司 (Huizhou Huasheng Investment Co., Ltd.), a limited liability company established in the PRC on August 29, 2007 and an indirect wholly owned subsidiary of our Company
“Huizhou Jiabo”	惠州市佳博房地產開發有限公司 (Huizhou Jiabo Property Development Co., Ltd.), a limited liability company established in the PRC on September 14, 2007 and an indirect wholly owned subsidiary of our Company
“Huizhou Jinhu”	惠州市金湖房地產有限公司 (Huizhou Jinhu Property Co., Ltd.) formerly known as 金湖房地產(惠州)有限公司 (Jinhu Property Development (Huizhou) Co., Ltd.), a limited liability company established in the PRC on March 26, 1993 and an indirect wholly owned subsidiary of our Company

DEFINITIONS

“Huizhou Jinhu Entertainment Park”	金湖遊樂園(惠州)有限公司 (Jinhu Entertainment Park (Huizhou) Co., Ltd.), a Sino-foreign joint venture enterprise established in the PRC on June 11, 1993 and an indirect wholly owned subsidiary of our Company
“Huizhou Jinhu Resort Village”	金湖渡假村(惠州)發展有限公司 (Jinhu Resort Village (Huizhou) Development Co., Ltd.), a Sino-foreign joint venture enterprise established in the PRC on June 2, 1993 and an indirect wholly owned subsidiary of our Company
“Huizhou Kaisa Infrastructure”	佳兆業（惠州）基建發展有限公司 (Kaisa (Huizhou) Infrastructure Development Co., Ltd.), a Sino-foreign equity joint venture established in the PRC on February 2, 2008 and an indirect wholly owned subsidiary of our Company
“Huizhou Kaisa Property”	惠州市佳兆業房地產開發有限公司 (Huizhou Kaisa Property Development Co., Ltd.), a limited liability company established in the PRC on January 29, 2007 and an indirect wholly owned subsidiary of our Company
“Huizhou Kaisa Road”	佳兆業(惠州)道路建設發展有限公司 (Kaisa (Huizhou) Road Construction Development Co., Ltd.), a Sino-foreign equity joint venture in the PRC on February 2, 2008 and an indirect wholly owned subsidiary of our Company
“Huizhou Kaisa Tangquan”	惠州市佳兆業湯泉森林公園旅遊開發有限公司 (Huizhou Kaisa Tangquan Forest Tourism Development Co., Ltd.), a limited liability company established in the PRC on September 29, 2007 and indirectly owned as to 80% by our Company and as to 20% by a shareholder whose ultimate beneficial owners are independent of and not connected with our Company or our subsidiaries
“Huizhou Kaisa Technology”	佳兆業科技(惠州)有限公司 (Kaisa Technology (Huizhou) Co., Ltd.), a Sino-foreign joint venture enterprise established in the PRC on March 24, 2008 and an indirect wholly owned subsidiary of our Company
“Huizhou Weitong”	惠州緯通房產有限公司 (Huizhou Weitong Property Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on January 14, 1994 and an indirect wholly owned subsidiary of our Company
“Huizhou Zhaoruijing”	惠州市兆瑞景商業經營管理有限公司 (Huizhou Zhaoruijing Commerce Operation Management Co., Ltd.), a limited liability company established in the PRC on April 7, 2009 and an indirectly wholly owned subsidiary of our Company

DEFINITIONS

“Hunan Kaisa Property”	湖南佳兆業房地產開發有限公司 (Hunan Kaisa Property Development Co., Ltd.), a limited liability company established in the PRC on August 22, 2007 and an indirect wholly owned subsidiary of our Company
“Hunan Kaisa Zhiye”	湖南佳兆業置業有限公司 (Hunan Kaisa Zhiye Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on September 14, 2007 and an indirect wholly owned subsidiary of our Company
“Investment Agreement”	the investment agreement dated November 7, 2007 between our Company and the Investor Shareholders in respect of the subscription of an aggregate of 869.565217 new Shares by the Investor Shareholders
“Investor Shareholder(s)”	Baytree, CAGP, CAGP III, Forum, Longhill, PMA and RECP
“Jiangyin Taichang”	江陰市泰昌房地產開發有限公司 (Jiangyin Taichang Property Development Co., Ltd.), a limited liability company established in the PRC on November 22, 2007 and an indirect wholly owned subsidiary of our Company
“Jie Feng”	Jie Feng Investment Company Limited (捷豐投資有限公司), an investment holding company incorporated in the BVI on July 23, 2007 and an indirect wholly owned subsidiary of our Company
“Jin Chang”	Jin Chang Investment Company Limited (進昌投資有限公司), an investment holding company incorporated in the BVI on July 25, 2007 and an indirect wholly owned subsidiary of our Company
“Jinmao International”	金貿國際投資有限公司 (Jinmao International Investment Co., Ltd.), a limited liability company established in the PRC on March 25, 1996, which was previously wholly owned by Beijing Jinmao, but has now been disposed to independent third parties who are not connected with our Company or our subsidiaries
“Kaisa Holdings”	Kaisa Holdings Limited (佳兆業集團有限公司), a company incorporated in Hong Kong on July 16, 1999 and an indirect wholly owned subsidiary of our Company
“Kaisa Technology”	Kaisa Technology Limited (佳兆業科技有限公司), an investment holding company incorporated in Hong Kong on June 30, 2005 and an indirect wholly owned subsidiary of our Company
“Kaisa Technology Company”	Kaisa Technology Company, a sole proprietorship enterprise established in Hong Kong and wholly owned by Mr. Kwok Chun Wai

DEFINITIONS

“Kamsara”	Kamsara Limited, a company incorporated in the BVI, is an investment holding company controlled by Cheung Kong (Holdings) Limited and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons. Kamsara is a Lender and a Warrantholder
“Kwok Family” or “Founding Shareholders”	Mr. Kwok Ying Shing, Mr. Kwok Chun Wai and Mr. Kwok Ying Chi
“Kwok Family Trust”	a discretionary family trust established by the Founding Shareholders, the beneficiaries of which include the Founding Shareholders and their immediate family members
“land grant contract”	國有土地使用權出讓合同, a state-owned land use rights grant contract between a land user and the relevant PRC governmental land administrative authorities, typically the local real estate and land resources bureau
“land use rights certificate”	國有土地使用證, a state-owned land use rights certificate issued by a local real estate and land resources bureau with respect to the land use rights
“LAT”	Land Appreciation Tax (土地增值稅) as defined in the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) and the Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) as described in Appendix V to this document
“Latest Practicable Date”	November 18, 2009 being the latest practicable date prior to the printing of this document for ascertaining certain information contained in this document
“Leisure Land”	Leisure Land Hotel Management (China) Limited (可域酒店管理(中國)有限公司), a company incorporated in Hong Kong on August 13, 2004 and an indirect wholly owned subsidiary of our Company
“Lenders”	CSS, ML, Kamsara, Forum, PMA, PMA Temple Fund, Diversified Asian Strategies Fund and PMA Focus Fund
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Loan”	a term loan facility in the aggregate amount of US\$200 million pursuant to the Credit Agreement
“Loan Investors”	PMA, PMA Asian Opportunities Fund, Diversified Asian Strategies Fund, PMA Focus Fund and PMA Temple Fund, each of whom is not affiliated with our Company and our subsidiaries
“Longhill”	Longhill Holding Company Ltd., an investment holding company incorporated under the laws of the Cayman Islands, is an affiliated entity of CAREP and CAREP II whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company, our subsidiaries and our connected persons. Longhill is an Investor Shareholder
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, conditionally approved and adopted on [●], 2009 and to become effective upon the [●], as supplemented, amended or otherwise modified from time to time
“Ministry of Construction”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
“Ministry of Finance” or “MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Ministry of Land and Resources”	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
“ML”	Merrill Lynch PCG, Inc., a company incorporated in the state of Delaware in the United States, is an investment company whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons. ML is a Lender and a Warrantholder
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

DEFINITIONS

“NPC” or “National People’s Congress”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會) and its Standing Committee
“Obligors”	our Company, Da Chang, Da Feng, Da Zheng, the Intermediate Holding Company, the Business Holding Companies, the Project Holding Companies, Kaisa Holdings, Kaisa Technology, Cornwell Holdings, Regal Silver, Woodland Height, Success Take, Leisure Land, Ace Start, Zhan Zhang, Yong Rui Xiang, Yi Qing, China Manfort and Onfair Asia
“Onfair Asia”	Onfair Asia Pacific Limited, an investment holding company incorporated in Hong Kong on May 17, 2007 and an indirect wholly owned subsidiary of our Company
“our Company,” “our,” “us,” or “we”	Kaisa Group Holdings Ltd (佳兆業集團控股有限公司), incorporated as an exempted company with limited liability in the Cayman Islands on August 2, 2007 under the Companies Law and, unless the context otherwise requires, all of its subsidiaries, or, where the context refers to any time prior to its incorporation, the business which the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by such subsidiaries pursuant to the Reorganization
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PMA”	PMA Credit Opportunities Fund, a company incorporated in the Cayman Islands, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons. PMA is an Investor Shareholder and a Loan Investor
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
“PRC Government”	the central government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“pre-sale permit”	商品房預售許可證, a property pre-sale permit issued by a local housing and building administrative bureau or an equivalent authority with respect to pre-sale of the relevant properties

DEFINITIONS

“Prime Yield”	Prime Yield Holdings Limited (泰怡集團有限公司), a company incorporated in Hong Kong and is owned as to 99% by Year Up and 1% by Mr. Kwok Chun Wai
“Project Holding Companies”	Chang Ye, Rong Hui, Yuan Yuan, Da Hua, Tai He Xiang, Zheng Zhong Tian, Dong Chang, Jin Chang, Dong Sheng, Xie Mao, China Agriculture and Ace Start
“property ownership certificate”	房地產證 (Property Ownership and Land Use Rights Certificate), a certificate issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on such land
“Property Valuation Report”	property valuation report prepared by Savills Valuation and Professional Services Limited, independent property valuers, and included as Appendix IV to this document
“RECP”	RECP IV Kaisa, LLC, a limited liability company organized under the laws of the State of Delaware, the United States of America, is an entity over which Credit Suisse Group has indirect control. To the best of the knowledge, information and belief of our Directors, RECP is not a connected person of our Company, our subsidiaries and our substantial shareholders. RECP is an Investor Shareholder
“Regal Silver”	Regal Silver Manufacturing Limited (靈菊銀器製品有限公司), an investment holding company incorporated in Hong Kong on September 24, 1976 and an indirect wholly owned subsidiary of our Company
“Reorganization”	the reorganization arrangements we have undergone which are more particularly described in the sections entitled “History, Reorganization and Group Structure” and “Statutory and General Information — Further information about the Company — Corporate Reorganization” in Appendix VII to this document
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rong Hui”	Rong Hui Investment Company Limited (榮輝投資有限公司), a company incorporated in the BVI on July 25, 2007 and an indirect wholly owned subsidiary of our Company
“Rui Jing” or “Intermediate Holding Company”	Rui Jing Investment Company Limited (瑞景投資有限公司), an investment holding company incorporated in the BVI on July 23, 2007 and a direct wholly owned subsidiary of our Company
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

DEFINITIONS

“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“Saleable GFA”	Saleable GFA figures set out herein are derived from permits or reports issued by relevant government authorities at various stages of a particular development, as follows: (i) estimated saleable GFA is derived from the relevant construction permit; and (ii) saleable GFA is derived from the pre-sale survey certified by the relevant authorities, and once construction is completed, saleable GFA is derived from the completion survey certified by the relevant authorities
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Kaisa Investment”	佳兆業投資管理(上海)有限公司 (Kaisa Investment Management (Shanghai) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on March 27, 2008 and an indirect wholly owned subsidiary of our Company
“Shanghai Xinwan”	上海新灣投資發展有限公司 (Shanghai Xinwan Investment Development Co., Ltd.), a limited liability company established in the PRC on January 17, 2007 and an indirect wholly owned subsidiary of our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on [●], 2009, the principal terms of which are summarised under “Other information — Share Option Scheme” in Appendix VII to this document
“Shareholder(s)”	holder(s) of Shares
“Share Purchase Agreement”	the share purchase agreement dated November 7, 2007 (as amended on October 21, 2009) between our Company, Da Chang, Da Feng, Da Zheng and the Investor Shareholders in respect of the sale and purchase of 434.782609 Shares on and subject to the terms and conditions therein
“Share(s)”	ordinary share(s), with nominal value of HK\$0.10 each, in the share capital of our Company

DEFINITIONS

“Shenyang Kaisa Property”	瀋陽佳兆業房地產開發有限公司 (Shenyang Kaisa Property Development Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on November 7, 2007 and an indirect wholly owned subsidiary of our Company
“Shenyang Woodland Height”	瀋陽桂芳園房地產開發有限公司 (Shenyang Woodland Height Property Development Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on November 20, 2007 and an indirect wholly owned subsidiary of our Company
“Shenzhen Chuangzhan”	深圳市創展投資發展有限公司 (Shenzhen Chuangzhan Investment Development Co., Ltd.), a limited liability company established in the PRC on November 17, 2000 and an indirect wholly owned subsidiary of our Company
“Shenzhen Cornwell”	冠華基業實業(深圳)有限公司 (Cornwell Jiye Shiye (Shenzhen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on August 23, 2004 and an indirect wholly owned subsidiary of our Company
“Shenzhen Daye”	深圳市大業房地產開發有限公司 (Shenzhen Daye Property Development Co., Ltd.), a limited liability company established in the PRC on January 26, 2007 and an indirect wholly owned subsidiary of our Company
“Shenzhen Finance”	深圳市金融投資服務有限公司 (Shenzhen Finance Investment Services Co., Ltd.), a limited company established on December 24, 2007 and currently owned by independent third parties
“Shenzhen Jiachangxin Investment”	深圳市佳昌信投資諮詢有限公司 (Shenzhen Jiachangxin Investment Consulting Co., Ltd.), a limited liability company established in the PRC on November 14, 2006 and an indirect wholly owned subsidiary of our Company
“Shenzhen Jiachangxin Property”	深圳市佳昌信房地產開發有限公司 (Shenzhen Jiachangxin Property Development Co., Ltd.), a limited liability company established in the PRC on September 30, 2006 and held as to 60% by Mr. Zhan Qiongmeng (a former director of each of Guangzhou Jinmao Property and Chengdu Nanxing) and as to 40% by Ms. Zhan Huihua (the spouse of Mr. Zhan Qiongmeng) in trust for Mr. Kwok Chun Wai
“Shenzhen Jililong”	深圳市吉利隆實業有限公司 (Shenzhen Jililong Shiye Co., Ltd.), a sino-foreign equity joint venture established in the PRC on March 21, 1997 and an indirect wholly owned subsidiary of our Company

DEFINITIONS

“Shenzhen Jinshawan”	深圳市金沙灣大酒店有限公司 (Shenzhen Jinshawan Hotel Co., Ltd.), a limited liability company established in the PRC on June 17, 1997 and an indirectly wholly owned subsidiary of our Company
“Shenzhen Kaisa Baihuo”	深圳市佳兆業百貨有限公司 (Shenzhen Kaisa Baihuo Co., Ltd.), a limited liability company established in the PRC on June 13, 2002 and held as to 10% by Mr. Zhan Qiongmeng (a former director of each of Guangzhou Jinmao Property and Chengdu Nanxing) and as to 90% by Ms. Zhan Huihua (the spouse of Mr. Zhan Qiongmeng) in trust for Mr. Kwok Chun Wai
“Shenzhen Kaisa Electronic”	佳兆業電子(深圳)有限公司 (Kaisa Electronic (Shenzhen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on May 28, 2001 and an indirect wholly owned subsidiary of our Company
“Shenzhen Kaisa Property”	佳兆業地產（深圳）有限公司 (Kaisa Property (Shenzhen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on June 3, 1999 and an indirect wholly owned subsidiary of our Company
“Shenzhen Kaisa Property Management”	佳兆業物業管理（深圳）有限公司 (Kaisa Property Management (Shenzhen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on October 20, 1999 and an indirect wholly owned subsidiary of our Company
“Shenzhen Kaisa Technology”	佳兆業科技（深圳）有限公司 (Kaisa Technology (Shenzhen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on July 27, 2001 and an indirect wholly owned subsidiary of our Company
“Shenzhen Leisure Land”	可域酒店管理（深圳）有限公司 (Leisure Land Hotel Management (Shenzhen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on May 23, 2005 and an indirect wholly owned subsidiary of our Company
“Shenzhen Municipal Committee of Planning and Land Resources”	深圳市規劃和國土資源委員會, formed in September 2009 to assume and perform most of the land resource management and urban planning functions of the Shenzhen Municipal Bureau of Land Resources and Housing Management (深圳市國土資源和房屋管理局) and Shenzhen Municipal Bureau of Planning (深圳市規劃局)
“Shenzhen Regal Silver”	靈菊實業（深圳）有限公司 (Regal Silver Shiye (Shenzhen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on March 26, 2004 and an indirect wholly owned subsidiary of our Company

DEFINITIONS

“Shenzhen Success Take”	迪升置業（深圳）有限公司 (Success Take Zhiye (Shenzhen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on February 15, 2004 and an indirect wholly owned subsidiary of our Company
“Shenzhen Taijian”	深圳市泰建建築工程有限公司 (Shenzhen Taijian Construction & Engineering Co., Ltd.), a limited liability company established in the PRC on July 19, 2007 and an indirect wholly owned subsidiary of our Company
“Shenzhen Wanyuchang”	萬裕昌計算機技術開發（深圳）有限公司 (Wanyuchang Computer Technology Development (Shenzhen) Co., Ltd.) (formerly known as 佳兆業計算機技術開發（深圳）有限公司 (Kaisa Computer Technology Development (Shenzhen) Co., Ltd.)), a wholly foreign-owned enterprise established in the PRC on October 26, 2001 and an indirect wholly owned subsidiary of our Company
“Shenzhen Wanyuhua”	萬裕華投資諮詢（深圳）有限公司 (Wanyuhua Investment Consulting (Shenzhen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on July 11, 2008, and an indirect wholly owned subsidiary of our Company
“Shenzhen Woodland Height”	桂芳園實業（深圳）有限公司 (Woodland Height Shiye (Shenzhen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on October 13, 2003 and an indirect wholly owned subsidiary of our Company
“Shenzhen Xingwoer”	深圳市興沃爾石化有限公司 (Shenzhen Xingwoer Shihua Co., Ltd.), a limited liability company established in the PRC on January 29, 1999 and an indirect wholly owned subsidiary of our Company
“Shenzhen Zhaoruijing”	深圳市兆瑞景商業經營管理有限公司 (Shenzhen Zhaoruijing Commerce Operation Management Co., Ltd.), a limited liability company established in the PRC on July 19, 2004 and an indirect wholly owned subsidiary of our Company
“Shenzhen Zhengchangtai”	深圳市正昌泰投資諮詢有限公司 (Shenzhen Zhengchangtai Investment Consulting Co., Ltd.), a limited liability company established in the PRC on June 13, 2007 and an indirect wholly owned subsidiary of our Company
“Shenzhen Zhongwei”	深圳市中衛投資諮詢有限公司 (Shenzhen Zhongwei Investment Consulting Co., Ltd.), a limited liability company established in the PRC on August 31, 2005 and an indirect wholly owned subsidiary of our Company

DEFINITIONS

“Sichuan Kaisa Zhiye”	四川佳兆業置業有限公司 (Sichuan Kaisa Zhiye Co., Ltd.), a limited liability company established in the PRC on May 16, 2007 and an indirect wholly owned subsidiary of our Company
“Sichuan Tianzi”	四川天姿置業有限公司 (Sichuan Tianzi Zhiye Co., Ltd.), a Sino-foreign joint venture established in the PRC on September 15, 2006 and an indirect wholly owned subsidiary of our Company
“Sino South”	Sino South Investment (China) Limited, an investment holding company incorporated in BVI on October 18, 2006 with limited liability which is wholly owned by Friendship (China), a company ultimately wholly owned by the Kwok Family
“South Place”	South Place Investment (China) Limited, an investment holding company incorporated in BVI on October 18, 2006 with limited liability which is wholly owned by Friendship (China), a company ultimately wholly owned by the Kwok Family
“Speed Prosper”	Speed Prosper Investments Limited, a company incorporated in the BVI and wholly owned by Mr. Kwok Ying Shing
“sq.m.”	square meters
“State Achieve”	State Achieve Properties Limited, a company incorporated in the BVI and wholly owned by On City International Limited which is in turn held by Mr. Kwok Ying Shing as to 50% and Mr. Kwok Chun Wai as to 50%
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“State-owned Assets Supervision and Administration Commission” or “SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Take”	Success Take International Limited (迪升國際有限公司), a company incorporated in Hong Kong on March 28, 2003 and an indirect wholly owned subsidiary of our Company
“Tai He Xiang”	Tai He Xiang Investment Company Limited (泰和祥投資有限公司), a company incorporated in the BVI on July 23, 2007 and an indirect ultimately wholly owned subsidiary of our Company
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Tangquan Linchang”	惠州市國營湯泉林場 (Huizhou State-owned Tangquan Linchang), a government-run public institution which holds 20% equity interest in Huizhou Kaisa Tangquan. Tangquan Linchang is a substantial shareholder of Huizhou Kaisa Tangquan and is therefore a connected person of our Group
“Temasek”	Temasek Holdings (Private) Limited, a company incorporated under the laws of Singapore which is not connected with our Group, our subsidiaries and our connected persons
“total GFA”	total GFA figures set out herein are derived from permits or reports issued by relevant government authorities at various stages of a particular development, as follows: (i) initially, total GFA is derived from figures set out in preliminary approval documents relating to the development and, in certain cases, in the land grant contract; (ii) if a land use rights certificate has been issued, total GFA is derived from the land use rights certificate; (iii) if a construction land planning permit has been issued, total GFA is derived from the construction land planning permit; (iv) if a construction works planning permit has been issued, total GFA is derived from the construction works planning permit; (v) if a construction works commencement permit has been issued, total GFA is derived from the construction works commencement permit; (vi) if a pre-sale survey has been issued, total GFA is derived from the pre-sale survey certified by the relevant authorities; and (vii) if a completion survey has been issued, total GFA is derived from the completion survey certified by the relevant authorities
“Track Record Period”	the period comprising the three financial years ended December 31, 2008 and the six months ended June 30, 2009
“Tranche A Warrants”	warrants entitling the holders thereof to subscribe [●] Warrant Shares
“Tranche B Warrants”	warrants entitling the holders thereof to subscribe [●] Warrant Shares

DEFINITIONS

“United States” or “U.S.”	the United States of America
“United States or Canadian Person”	any national or resident of the United States or Canada, or any corporation, pension, profit-sharing or other trust or other entity organized under the laws of the United States or Canada or of any political subdivision thereof (other than a branch located outside the United States and Canada of any United States or Canadian Person), and shall include any United States or Canadian branch of a person who is otherwise not a United States or Canadian Person
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Warrant Instrument(s)”	Warrant instrument for Tranche A Warrants and warrant instrument for Tranche B Warrants, both dated September 12, 2007 (as amended and restated on October 27, 2009)
“Warrant Shares”	Shares to be issued upon exercise of the Warrants
“Warrantholders”	holders of the Warrants
“Warrants”	Tranche A Warrants and Tranche B Warrants
“Woodland Height”	Woodland Height Holdings Limited (桂芳園集團有限公司), a company incorporated in Hong Kong on July 2, 2003 and an indirect wholly owned subsidiary of our Company
“Xie Mao”	Xie Mao Investment Company Limited (協茂投資有限公司), a company incorporated in the BVI on July 26, 2007 and an indirect wholly owned subsidiary of our Company
“Xinan Investment”	Xinan Investment (China) Limited, an investment holding company incorporated in BVI on October 18, 2006 with limited liability which is wholly owned by Friendship (China), a company ultimately wholly owned by the Kwok Family
“Year Up”	Year Up Investments Limited, a company incorporated in the BVI and wholly owned by Mr. Kwok Chun Wai
“Ye Chang”	Ye Chang Investment Company Limited (葉昌投資有限公司), a company incorporated in the BVI on July 23, 2007 and an indirect wholly owned subsidiary of our Company
“Yi Qing”	Yi Qing Investment Company Limited (怡慶投資有限公司), a company incorporated in Hong Kong on August 13, 2007 and an indirect wholly owned subsidiary of our Company

DEFINITIONS

“Yong Rui Xiang”	Yong Rui Xiang Investment Company Limited (永瑞祥投資有限公司), a company incorporated in Hong Kong on August 13, 2007 and an indirect wholly owned subsidiary of our Company
“Yuan Yuan”	Yuan Yuan Investment Company Limited (遠源投資有限公司), a company incorporated in the BVI on July 23, 2007 and an indirect wholly owned subsidiary of our Company
“Zhan Zheng”	Zhan Zheng Consulting Company Limited (展正諮詢有限公司), a company incorporated in Hong Kong on August 10, 2007 and an indirect wholly owned subsidiary of our Company
“Zheng Zhong Tian”	Zheng Zhong Tian Investment Company Limited (正中天投資有限公司), a company incorporated in the BVI on July 23, 2007 and an indirect wholly owned subsidiary of our Company
“Zhuhai Zhanda”	珠海市展大房地產開發有限公司 (Zhuhai Zhanda Property Development Co., Ltd.), a limited liability company established in the PRC on January 17, 2007 and an indirect wholly owned subsidiary of our Company

Unless expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

For the purpose of illustration only and unless otherwise specified in this document, the translation of Hong Kong dollars into U.S. dollars has been made at the rate of HK\$7.7500 to US\$1.00, the noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on November 13, 2009, and the translation of Renminbi into Hong Kong dollars and Renminbi into U.S. dollars have been made at the rates of RMB0.88096 to HK\$1.00 and RMB6.8275 to US\$1.00, respectively, the exchange rates set by the PBOC for foreign exchange transactions prevailing on November 18, 2009. No representation is made that (i) Renminbi amounts could have been, or could be, converted into U.S. dollars; (ii) that Hong Kong dollars could have been, or could be, converted into U.S. dollars; or (iii) the RMB amounts could have been, or could be, converted into Hong Kong dollars at such rates or at any other rate on such date or on any other date.

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC government authorities or the PRC entities mentioned in this document and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purpose only.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS

We are heavily dependent on the performance of the PRC real estate market, particularly in the Pearl River Delta region

Our business and prospects depend on the performance of the real estate market in China and, in particular, in the Pearl River Delta region. Any real estate market downturn in China generally or, in particular, in the Pearl River Delta region and other cities and regions where we operate, could adversely affect our business, results of operations and financial condition. As of September 30, 2009, among our 31 property development projects, 24 were located in the Pearl River Delta region, three were located in Chengdu in the Chengdu-Chongqing region, one was located in Changsha in the Central China region, one was located in Shanghai and two were located in Jiangyin, in the Yangtze River Delta region. These 31 property development projects have a total GFA of approximately 14.8 million sq.m. We also intend to enter into other regions, including the Pan-Bohai Bay Rim. We cannot assure you that the demand for new properties in the Pearl River Delta region and other regions and cities where we operate or intend to expand in China will continue to grow or that prices will not deteriorate further. In addition, fluctuations of supply and demand in the real estate market in China are caused by economic, social, political and other factors that are outside of our control and we cannot assure you that there will not be over-supply of properties or a economic downturn in the property sectors in the Pearl River Delta region and other cities and regions of China. Any such over-supply or economic downturn may result in a slow down in property sales or downward pressure on property prices regionally or nationwide. Any adverse development in the real estate market in the Pearl River Delta region or other regions and cities where we operate or may operate in the future in the PRC could have a material and adverse effect on our business, results of operations and financial condition.

We may not always be able to obtain land reserves that are suitable for development

We derive our revenue principally from the sale of properties that we have developed. Therefore, we must maintain or increase our land reserves in strategic locations at an appropriate pace in order to ensure sustainable business growth. Based on our current rate of property development, we believe we have sufficient land reserves for development for approximately the next five years. To have a steady stream of developed properties available for sale and sustainable growth, we need to replenish and increase our land reserves with additional land suitable for development. 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 of the land in China is controlled by the PRC Government. The land supply policies adopted by the PRC Government directly impact 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. 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. In 2002, the PRC Government introduced a nationwide system of mandatory public tender, auction or listing-for-sale for the grant of land use rights for commercial use, tourism, entertainment and commodity property development. On September 28, 2007, the Ministry of Land and Resources issued revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), which further stipulate legal and procedural requirements on public tender, auction or listing-for-sale, the only means by which state-owned land use rights can be granted by the PRC Government for land to be used for industrial

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purposes, commercial purposes, tourism, entertainment and commodity property development, and require that the land premium must be paid in full to local land administration bureau pursuant to the underlying land grant contract before the land use rights certificate can be issued to the land user. Although these regulations do 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 reserves generally in the PRC. If we fail to acquire sufficient land reserves in a timely manner and at acceptable prices, or at all, our business and prospects, results of operations and financial condition may be materially and adversely affected.

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 always be able to obtain land use rights certificates with respect to certain parcels of land. We have entered into various contractual arrangements with a view to facilitating potential land acquisitions of land use rights for certain parcels of land in several cities in China. As of the Latest Practicable Date, these parcels of land occupied an aggregate site area of approximately 10.4 million sq.m. None of these contractual arrangements are land grant contracts or confirmation of the sale of state-owned land use rights via listing. As of the Latest Practicable Date, we had not obtained the land use rights certificates with respect to these parcels of land. We cannot assure you that the relevant PRC government authorities will grant us the appropriate land use rights or issue the relevant land use rights certificates in respect of these parcels of land and in respect of other land we may contract to acquire in the future in a timely manner, or at all. Nor can we assure you that our contractual arrangements will eventually result in our acquisition of any land use rights. As these contractual arrangements often involve multiple government approvals and relatively complex procedures, it is not uncommon to take years to acquire the underlying land, if at all. For example, with respect to three of our contractual arrangements relating to project transfers, the approval procedures for changing the designated use of land to use for construction use have been lengthier than anticipated. This in turn has delayed our original plans to obtain the respective land use rights. See contractual arrangements (15), (16) and (18) in the section entitled “Business — Other Contractual Arrangements — Contractual arrangements relating to project transfers” in this document. If we fail to obtain, or experience material delay in obtaining, the land use rights certificates with respect to any parcels of land and with respect to other land we may contract to acquire in the future, in a timely manner, or at all, our business, results of operations and financial condition may be materially and adversely affected. Furthermore, as of September 30, 2009, we had made prepayments in an aggregate amount of approximately RMB1,207.2 million and had outstanding commitments totalling approximately RMB1,967.4 million for these contractual arrangements. As advised by our PRC legal adviser, if the transactions as contemplated in the relevant agreement cannot be completed as a result of the other party’s breach, and we are not in breach of the relevant agreement, we have the legal right to recover our prepayments. However, we cannot assure you that any refund of our prepayments will be provided in a timely manner or at all. If we fail to obtain refunds, our financial condition, cash flow and results of operations may be materially and adversely affected. For more information, see the section entitled “Business — Other Contractual Arrangements” in this document.

RISK FACTORS

We may not have adequate financing to fund our land acquisitions and property projects

Property development is capital intensive. We finance our property projects primarily through a combination of internal funds, construction loans, proceeds from pre-sales and equity financing. As of June 30, 2009, our total bank and other borrowings (excluding the Loan), amounted to RMB5,424.5 million. Our ability to procure adequate and suitable financing for acquisitions of land or companies and property developments depends on a number of factors that are beyond our control, including general economic conditions, our financial strength and performance, credit availability from financial institutions, cost of borrowing and monetary policies in China. The PRC Government has in recent years implemented a number of measures to control money supply and credit availability for fixed asset investments, particularly with respect to the property development sector. For example:

- The PBOC has prohibited commercial banks from granting loans to property developers to pay land premiums since June 2003;
- The PBOC has increased the reserve requirement ratio for commercial banks 18 times between July 2006 and June 2008, from 7.5% on June 30, 2006 to 17.5% effective June 25, 2008. Since June 2008, the PBOC has decreased the reserve requirement ratio for commercial banks four times, from 17.5% to 14.5% effective December 25, 2008;
- The Ministry of Construction and other PRC government authorities jointly issued the Opinions on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices (關於調整住房供應結構穩定住房價格的意見) in May 2006, which, among other things,
 - restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and
 - prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for their loans.
- The SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Properly Registered with the MOFCOM (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) in July 2007, which, among other things,
 - effectively prohibits offshore funding by FIREEs in the form of loans; and
 - restricts the ability of FIREEs to raise funds by increasing registered capital.

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- The PBOC and the CBRC jointly issued the Circular on Strengthening the Administration of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的通知) in September 2007, which, among other things,
 - prohibits commercial banks from granting loans to property projects if the developer’s own capital is less than 35% of the total investment amount;
 - prohibits commercial banks from granting loans to property projects that have not obtained land use rights certificates, construction land planning permits, construction works planning permits and construction works commencement permits;
 - requires that commercial bank loans to property developers be classified as real estate development loans and not as general working capital loans; and
 - requires that in principal real estate development loan proceeds may only be used for developments in the local city where the loan is originated.

On January 3, 2008, the State Council issued a Notice on Promoting the Economic Use of Land (關於促進節約集約用地的通知) with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice calls for the full and effective use of existing construction land and the preservation of farm land. The notice also emphasizes the enforcement of the current rules on assessing idle land fees at a rate equal to 20% of the land premium for any land left idle for over one year but less than two years. The notice also urges financial institutions to exercise caution when they process loan applications from property developers that have failed to complete development of at least one-third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice indicates that the relevant governmental authorities will formulate and issue additional rules and regulations on these matters. The new investment catalogue issued in December 2007 is consistent with these overall trends. These government actions and policy initiatives have further limited our ability and flexibility to use bank loans to finance our acquisitions and property development projects. The PRC Government, moreover, could introduce other initiatives which may further limit our access to capital, and consequently our flexibility and ability to use bank loans or other forms of financing to finance our acquisitions and property developments. If we fail to secure adequate financing or renew our existing credit facilities prior to their expiration, or if the PRC Government adopts further restrictive credit policies in the future, our business, results of operations and financial condition may be materially and adversely affected.

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

In accordance with the provisions of the “Provisional Regulations of the People’s Republic of China on Land Appreciation Tax” (中華人民共和國土地增值稅暫行條例) and the related implementation rules, all entities and individuals that receive income from the sale or transfer of land use rights, buildings and ancillary facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property. There is an exemption for the sale of ordinary residential property if the appreciated value does not exceed 20% of the total deductible expense items allowed under the relevant LAT regulations. This exemption is not available for sales of luxury residential properties, villas and commercial properties. It is not clear whether the residential portion of our mixed residential and commercial developments will be eligible for the exemption available to ordinary

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residential properties. The State Taxation Bureau clarified LAT settlement to some extent in its Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知) effective February 1, 2007. The Notice clarifies that provincial and local tax bureaus may formulate their own implementing rules and determine how LAT will be settled in their jurisdictions. The tax bureaus in general have not strictly enforced the LAT regulations, and many localities, including Shenzhen, have not published settlement rules. See “Summary of Principal Legal and Regulatory Provisions — Land appreciation tax” in Appendix V to this document.

We have been prepaying LAT in respect of our pre-sale proceeds since a prepayment obligation was imposed in 2004. In addition, we also make provision for the estimated amount of LAT that may be payable in respect of our other sales. We made LAT provisions of RMB15.0 million, RMB119.0 million, RMB12.0 million and RMB60.3 million for each of the years end December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. LAT provisions are recorded as a part of “income taxes payable” on our balance sheets. As of the Latest Practicable Date, no amount reflected in our LAT provisions for 2006, 2007, 2008 or for the six months ended June 30, 2009 had been settled. As of the Latest Practicable Date, we had not received any official exemption or confirmation with respect to our LAT liabilities for any period despite our LAT prepayments during the years. We cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our cash flow, results of operations and financial condition may be materially and adversely affected. See the section entitled “Financial Information — Critical Accounting Policies — LAT” in this document.

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

We had a net cash outflow from operating activities of RMB27.9 million in 2006, RMB1,243.5 million in 2007, RMB1,986.9 million in 2008 and a net cash inflow from operating activities of RMB62.4 million in the six months ended June 30, 2009. We maintain a significant amount of indebtedness to finance our operations. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our total indebtedness (including bank borrowings, other borrowings and the Loan) was RMB2,361.5 million, RMB4,568.5 million, RMB6,497.5 million and RMB6,758.2 million, respectively. Our debt-to-equity ratio was approximately 367.3%, 175.1%, 209.5% and 194.8%, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. Of our total outstanding indebtedness of RMB6,758.2 million as of June 30, 2009, RMB4,107.4 million was repayable within 12 months and RMB2,650.8 million was repayable in more than one year. These aggregate amounts of indebtedness do not include our guarantee obligations of RMB1,267.5 million, RMB873.9 million, RMB1,629.0 million and RMB2,444.1 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009.

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Our cash flow and results of operations of our operating subsidiaries will affect our liquidity and our ability to service our indebtedness. We cannot assure you that we will be able to continue to generate and maintain sufficient cash flow to service our indebtedness. If we are unable to make scheduled payments in connection with our debts and other fixed payment obligations as they become due, we may need to refinance such obligations or obtain additional financing. Furthermore, some of our domestic bank loans contain cross default provisions under which default in one such loan could trigger default in one or more of the other domestic bank loans as well. We cannot assure you that our refinancing efforts would be successful or timely or that we could secure additional financing on acceptable terms, or at all. If we fail to maintain sufficient cash flow to service our indebtedness or our refinancing efforts are otherwise unsuccessful, our liquidity, business, and financial condition will be materially and adversely affected.

In addition to bank borrowings, we rely on proceeds from the pre-sale of residential properties as a major source of funding for our property development activities. If our pre-sales are limited or reduced for any reason, including policy or regulatory changes, a reduction in demand for or the prices of our properties, or an increase in the time required to complete sales, we could experience cash flow shortfalls and difficulties in funding our property development activities and servicing our indebtedness. If we are unable to obtain additional funding or to renew existing loans on acceptable terms, or at all, our business, results of operations and financial condition will be materially and adversely affected.

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

The recent global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have resulted in an increased level of commercial and consumer delinquencies, lack of consumer confidence, decreased demand for products, and increased market volatility. In particular, the economic slowdown in China caused a decline in real estate market sentiment and a decline in property prices in many areas of the PRC, including the Pearl River Delta region, since 2008. The negative impact of the recent global economic slowdown on our business is manifold and contributed to the deterioration of our results of operations and financial condition in 2008. For example:

- the uncertain economic prospect resulted in lower demand for our properties and a decline in their selling prices, which in turn resulted in a decline in our sales revenue, a decline in our gross profit margin and a write-down of our inventories. In particular, in 2008, we incurred and recognized impairment losses of RMB58.0 million on the land use rights and completed properties held for sale in Mingcui Garden Phase 1 and impairment losses of RMB155.0 million on the land use rights and the properties under development in Lijing Harbor Phase 1, primarily because our pre-sales and sales of properties in these two projects were adversely affected by the recent global economic slowdown. We experienced a loss in the second half of 2008 primarily due to the unfavorable real estate market conditions as a result of the recent global economic slowdown. Our profit for the year ended December 31, 2008 was RMB500.9 million, even though our profit for the six months ended June 30, 2008 was RMB632.5 million;

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- there was a significant decline in fair value of our investment properties, in particular, Guangzhou Jinmao, as a result of the downturn in the PRC property market. Fair value of our investment properties decreased in the second half of 2008, as a result of which fair value gains on our investment properties were RMB302.6 million for 2008, even though fair value gains on our investment properties for the first half of 2008 were RMB575.4 million;
- the recent global financial turmoil and the tightening of credit have resulted in a general credit crunch and negatively impacted our liquidity and ability to obtain additional financings for our property development, which in turn adversely affected our business expansion, development schedules and cash flow position in 2008; and
- given the adverse change in the global economy and the real estate market in China, we have scaled back our original business expansion plans, and postponed the completion and development schedules of some of our projects. We also slowed the pace of our development schedules for most projects held for future development. The delays in our property development schedules have resulted in fewer completed properties being delivered in 2008 than we originally planned and adversely affected our financial positions. For more detail, see the section entitled “Business — Impact of the Recent Global Economic Slowdown and Financial Crisis” in this document.

While the PRC Government and governments around the world have taken remedial actions to address the economic slowdown and financial market crisis, there can be no assurance that these actions will be effective. It is difficult to determine the continued impact of the global economic slowdown and financial crisis on the real estate industry in China due to its unprecedented nature. If the current global economic slowdown and financial market crisis continue or become broader than currently estimated, they could materially and adversely affect our business prospects, revenues, cash flows and financial condition.

Our operations are subject to seasonal fluctuations

Our business is subject to seasonal fluctuations. We typically conclude more sales of residential properties in the spring and fall, when prevailing weather conditions are conducive to house hunting and two major holidays occur, namely Labor Day in the first week of May, and National Day in the first week of October. Conversely, sales typically decline in the winter, due in part to unfavorable weather conditions and lack of consumer interest over the Chinese New Year holiday period, and also in summer, particularly if uncomfortably warm weather prevails. As a consequence, sales in the third and fourth quarters of the year are often higher than those in the first and second quarters, and as a result, revenue recognition and profit figures fluctuate accordingly. We expect that these fluctuations in revenue and profit will continue.

We are subject to certain restrictive covenants and certain risks normally associated with debt financing which may limit or otherwise adversely affect our operation

As long as the Loan remains outstanding, we are subject to certain restrictive covenants, details of which are set out in 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 entitled “History, Reorganization and Group Structure” in this document, which may restrict or otherwise adversely affect our operation, such as our ability to incur additional indebtedness, acquire properties,

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make other investments, make capital expenditures, or make distributions to Shareholders. Failure by us to meet any payment obligation or to comply with any affirmative covenant or any financial ratio or violation of any restrictive covenant will constitute an event of default under the Credit Agreement. If an event of default under the Credit Agreement occurs, the Lenders will be entitled to accelerate payment of all or any part of the indebtedness owing under the Credit Agreement and to enforce all or any of the security held by the Lenders for such indebtedness. If any one of these events were to occur, our financial condition, results of operations, cash flow and cash available for distributions to Shareholders would be materially and adversely affected.

During the recent global economic downturn and financial crisis, certain events of default occurred under the Credit Agreement, such as our failure to maintain certain financial ratios. Such events of defaults did not trigger any cross default under any other loan agreements to which any members of our Group is a party. 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 which contain cross default provisions. We obtained waivers from the Lenders with respect to the existing defaults under the Credit Agreement and related financing documents, including the charge over accounts, the security deed and the additional security deed entered into by our Company as collateral for the Loan, and amended the Credit Agreement. You may find additional information on the key terms of the Loan and such events of default and waivers under the sections entitled “History, Reorganization and Group Structure — Strategic Investments — Senior secured term loan facility — The Amendment Agreement as compared with the Credit Agreement dated September 12, 2007” in this document. Although it is never our intention to default under any of the Credit Agreements and the related financing documents, we cannot assure you that we will be able to avoid a default and be able to maintain the relevant financial ratios from time to time. While the relevant waivers have been obtained from the Lenders for the existing or purported events of default, we cannot assure you that the Lenders will continue to agree to entertain any waiver arrangements with us upon any future occurrence of a default under the Credit Agreement. If we are unable to obtain further waiver arrangements with the Lenders upon occurrence of any default in the future, it could lead to, among other things, an acceleration in our debt financing obligations, which could in turn have a material adverse effect on our financial condition.

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

We engage third-party contractors to provide various services, including design, pile setting, foundation digging, construction, equipment installation, interior decoration, electromechanical engineering, pipeline engineering and elevator installation. During the Track Record Period, payments to third-party contractors accounted for all of our total construction costs. In the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, payments to our five largest construction contractors, who are also our five largest suppliers, accounted for approximately 57.6%, 54.1%, 53% and 61.4%, respectively, of our total payments under contracts with our suppliers. During the Track Record Period, we engaged 12 principal independent third-party contractors, who carried out property construction and subcontracted various works to independent third-party subcontractors. We endeavor to employ construction contractors with good reputations, strong track records, and adequate financial resources. We also adopt and follow our own quality control procedures and routinely monitor works performed by third-party contractors. However, we cannot assure you that any third-party contractor will provide satisfactory services at our required quality level. If the performance of any third-party contractor is not satisfactory, we may need to replace that contractor or take other remedial

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actions, which could increase the cost and lengthen the time required to complete the work and ultimately the relevant development. In addition, we are expanding our business into other regional markets in China, and there may be a shortage of contractors that meet our quality requirements in these regional markets. Moreover, contractors may undertake projects for other developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for us on time or within budget. Any of the above factors could have a material and adverse effect on our reputation, business, results of operations and financial condition.

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 have entered into two joint development projects, namely Zhongyang Haomen and Dijingwan, with Dongguan Shi Long Town Real Estate Company (東莞市石龍鎮房地產公司) (“Dongguan Shilong”), an independent third party. Respective arrangements for these joint development projects have been approved by the Dongguan Development and Reform Bureau (東莞市發展和改革局). With respect to Zhongyang Haomen, Dongguan Shilong holds land use rights certificates for four of the six parcels of land for the project, and we hold the land use rights certificates for the remaining two parcels of land. With respect to Dijingwan, Dongguan Shilong holds the land use rights certificates for the entire land for the project. If Dongguan Shilong transfers any of the land use rights certificates it holds for Zhongyang Haomen or Dijingwan to any other party, or otherwise breaches or defaults under the underlying cooperative agreements for Zhongyang Haomen or Dijingwan, our ability to develop these two projects, and in turn, our business, results of operations and financial condition, may be materially and adversely affected. See the section titled “Business — Description of Our Property Development Projects — Projects in the City of Shenzhen in the Pearl River Delta region — (15) Zhongyang Haomen (中央豪門) and (17) Dijingwan (帝景灣)” in this document.

We and Dongguan Shilong will assist the prospective purchasers of properties in Zhongyang Haomen and Dijingwan in obtaining their individual property ownership certificates in accordance with the terms of the sale and purchase agreements and in compliance with the requirements of the relevant PRC laws and regulations. If Dongguan Shilong delays or fails to render such assistance to the individual purchasers of the properties in Zhongyang Haomen or Dijingwan, we cannot assure you that we can assist such individual purchasers to obtain their individual property ownership certificates within the time period specified in the relevant sale and purchase agreements, in which case we may be subject to legal proceedings brought by such individual purchasers. Furthermore, our ability to sell the properties in these two projects may also be adversely affected. In such circumstances, our reputation, business, results of operations and financial condition may in turn be materially and adversely affected.

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 have entered into a contractual arrangement relating to infrastructure development with a view to enhancing our future expansion into the relevant markets by providing the services required under the contract. Under this contractual arrangement, we have exclusive right to invest in and engage in infrastructure construction of roads. See the section entitled “Business — Other Contractual Arrangements — Contractual arrangement relating to infrastructure development” in this document. We entered into another similar contractual arrangement relating to the infrastructure construction of a

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section of an avenue in Huizhou in January 2008, but the underlying contract was terminated in April 2009. All rights and obligations of the parties to this contractual arrangement have been terminated pursuant to the termination agreement, and there are no contingent liabilities arising from the termination. We had not been engaged in any other infrastructure development projects during the Track Record Period. In addition, we have entered into an agreement on the joint development in Guangdong Tangquan Forest, under which a project company jointly owned by us and Tangquan Linchang plans to develop, among other things, various residential and resort properties, and additional facilities including mountain roads, waterfalls, fruit orchards, mountain trails, an ecological garden and a botanical garden. Our principal purpose for the joint development of Guangdong Tangquan Forest is to develop residential and resort properties. The reason for developing the additional facilities, including mountain roads, waterfalls, fruit orchards, mountain trails, an ecological garden and a botanical garden, is to add value to and enhance the attractiveness of the residential and resort properties. We had not been engaged in any development of such additional facilities during the Track Record Period. As of the Latest Practicable Date, the project company had not commenced any development activities on this project. See the section entitled “Business — Other Contractual Arrangements — Contractual arrangements relating to cooperative or joint development — (2) Agreement for the joint development in Guangdong Tangquan Forest” in this document. As we are primarily engaged in property development and do not have the experience or requisite licenses to engage in infrastructure construction and certain construction works for the development of additional facilities in Guangdong Tangquan Forest, we have engaged or will engage qualified third-party contractors specializing in the relevant projects to undertake the construction works. There can be no assurance that such contractors will successfully complete the relevant development projects, or complete the projects in a manner satisfactory under our contractual arrangements. If the performance of any such contractor is not satisfactory, we may need to replace that contractor or take other remedial actions, which could increase the cost and lengthen the time required to complete the project. The effectiveness and performance of the third-party contractors in undertaking the construction works will, therefore, significantly affect our future expansion, and the cost and the expense for the project could in turn has a material and adverse effect on our reputation, business, results of operations and financial condition.

With respect to the joint development in Guangdong Tangquan Forest, we will endeavour to procure the project company’s ongoing compliance with the requisite procedures, approvals and permits, which will include acquisition of the relevant land use rights through the public listing-for-sale process, entry into a land grant contract with the relevant land and resources authorities, approval for project development from the development and reform commission, planning approval from the planning authorities, and a construction works commencement permit from the construction authorities. However, there can be no assurance that the project company will be able to complete the requisite procedures and obtain the requisite approvals and permits in a timely manner, or at all. If we fail to do so, or if we encounter significant delay in doing so, our development schedule could be substantially delayed, resulting in a material and adverse effect on our business, results of operations and financial condition.

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

We have historically focused on developing properties in the Pearl River Delta region. As of September 30, 2009, we had completed property developments with a total GFA of approximately 2.5 million sq.m. in the Pearl River Delta region. In addition, as of September 30, 2009, we had completed approximately 107,986 sq.m. of GFA in Jiangyin Lake View Place in the Yangtze River Delta region. Currently, we have 25 projects under development or for future development with an estimated total

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GFA of approximately 12.2 million sq.m. in nine cities in China. While we continue to focus on our business in the Pearl River Delta region, we intend to further explore other promising markets in China. Our unprecedented expansion is based on our forward-looking assessment of market prospects. We cannot assure you that our assessments will turn out to be accurate. In addition, to succeed with our business 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 relatively short period of time. We have limited knowledge of the conditions of these local property markets and little or no experience in property development in these regions. As we enter 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. In addition, when we enter new geographical areas, we may face intense competition from developers with an established presence and market share in those areas. Therefore, we cannot assure you that we can execute successfully our contemplated expansion plan or that we will succeed in effectively integrating our expanded operations, or that our expanded operations will generate adequate returns on our investments or positive operating cash flows. Furthermore, our business expansion may place a substantial strain on our managerial and financial resources and any failure in effectively managing our expanded operations may materially and adversely affect our business and prospects, results of operations and financial condition.

We may not be able to effectively expand into the hotel operation, redevelopment and development business

We intend to enter into the hotel development and redevelopment business. In May 2009, we acquired Keyu Golden Bay Resort located in Longgang District, Shenzhen and currently operate the hotel through Leisure Land. We intend to redevelop Keyu Golden Bay Resort to further enhance its attraction to individual and corporate customers and make it more marketable. In addition, we intend to develop three hotels in Chengdu, Huizhou and Jiangyin, respectively. We plan to engage hotel management companies to manage the hotels upon the completion of their construction. We cannot assure you that we will be able to leverage our past experience as we expand into the hotel operation and development business, nor can we assure you that we will be able to procure the services of professional hotel management companies for the hotels in Chengdu, Huizhou and Jiangyin. We may be exposed to considerable reputational and financial risks if the hotels are mismanaged or do not meet the expectations of hotel customers. In addition, there can be no assurance that there will be sufficient demand for hotel facilities in these locations. If we fail in our efforts in our hotel operation and development business, it may have a material adverse effect on our reputation generally, and our business and prospects results of operations and financial condition may be materially and adversely affected.

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. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our income statements in the period in which they arise. Our investment properties were revalued by an independent property valuer as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively,

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on an open market for existing use basis which reflected market conditions at those dates. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognized changes in fair values of investment properties and the relevant deferred tax on our consolidated statements of comprehensive incomes. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, the fair value gains on our investment properties, net of deferred tax, were RMB173.8 million, RMB27.4 million, RMB226.9 million, RMB431.5 million and RMB211.0 million, respectively, and accounted for approximately 35.2%, 5.7%, 45.3%, 68.2% and 57.4%, respectively, of our profit for the respective time periods.

Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. 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 historical levels, or at all, or that the fair value of our investment properties will not decrease in the future. For example, fair value of our investment properties decreased in the second half of 2008, as a result of which fair value gains on our investment properties were RMB302.6 million for 2008, even though fair value gains on our investment properties for the first half of 2008 were RMB575.4 million. In particular, the fair value of our investment properties could decline, and a decrease in the fair value of our investment properties would materially and adversely affect our profitability. See the section entitled “Summary — Profit Forecast For the Year Ending December 31, 2009 — Sensitivity Analysis” in this document.

We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments

We pre-sell properties before construction is completed. The purchasers of our properties may need mortgage loans to purchase our properties, and we typically arrange for various banks to provide these mortgage loans. In accordance with market practice, the mortgagee banks require us to guarantee our customers’ mortgage loans. Typically, our guarantee obligations for such customers’ mortgage loans are 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 for the mortgaged property. It generally takes place six months to one year after we deliver possession of the relevant property to the purchaser. If a purchaser defaults on a mortgage loan while our guarantee is in effect we may have to repay the mortgage loan. 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 loan. In line with industry practice, we rely on the credit analysis performed by the mortgagee banks in respect of individual customers and we do not conduct any independent credit checks on them.

As of December 31, 2006, 2007 and 2008 and six months ended June 30, 2009, our outstanding guarantees for the mortgage loans of our customers amounted to RMB1,267.5 million, RMB873.9 million, RMB1,629.0 million and RMB2,444.1 million, respectively. During the Track Record Period, we have not experienced any instances where we had to honor our guarantee obligations as a result of a

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failure by our customers to repay their mortgage loans. However, if any material default occurs and we are called upon to honor our guarantees, our results of operations and financial position will be materially and adversely affected.

We may suffer losses from certain financing arrangements we entered into, under which we guaranteed an annual return for a period of 10 years

In 2005, we sold 1,804 retail units in Phase 6 of the Woodland Height project to a number of independent third-party purchasers, who hold put options under the relevant sale and purchase agreements. We also entered into a cooperation agreement with each purchaser of the relevant retail units, under which each purchaser agreed to entrust us to provide leasing management services for 10 years from 2005 to 2015 and we guaranteed to such purchaser an annual return of 8% on the purchase price of these units for the same period. See the section entitled “Financial Information — Indebtedness — Borrowings” in this document. We entered into these financing arrangements for the purpose of increasing our cash inflows in 2005 by selling the units, while we retained 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, had not covered our payment at the guaranteed 8% annual rate of return to the purchasers of these units during the Track Record Period. Our rental income derived from leasing these retail units were 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. A 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 and 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 September 30, 2009, all of the retail units were rented. If the rental income derived from these units continues to be less than the aggregate amount of the guaranteed 8% annual rate of return, we may continue to suffer losses from these arrangements, which in turn may have a material and adverse effect on our results of operations, cash flow, prospects and financial conditions.

We may suffer certain losses not covered by insurance

We do not carry comprehensive insurance against all potential losses or damage with respect to our properties before their delivery to customers nor do we maintain insurance coverage against liability from tortious acts, property damage or personal injury relating to the construction and maintenance of our properties. Although we expect our third-party construction companies to maintain appropriate insurance coverage, we cannot assure you that their insurance would respond to or be sufficient to satisfy all claims, or that we would not be sued or held liable for notwithstanding their insurance coverage. 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 business, we may not have sufficient financial resources to offset such losses, damages or liabilities or to satisfy our related obligations. Any payment we make to cover any losses, damages or liabilities may have a material and adverse effect on our business, results of operations and financial condition.

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We may not be able to complete our development projects according to schedule or on budget

A property development project requires substantial capital expenditures prior to and during the construction period, and it may take over a year before a development generates positive cash flow through pre-sales or sales. In particular, we expect that most of our estimated profit for the year ending December 31, 2009 to be attributable to completion and sales of our properties to be achieved before the end of the year. 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. The progress of, and costs for, a development project can be adversely affected by many factors, including:

- changes in market conditions, an economic downturn or a decline in consumer confidence;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and demolition of existing structures;
- increases in the market prices of raw materials if we cannot pass on the increased costs to customers;
- shortages of materials, equipment, contractors and skilled labor;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labor disputes;
- construction accidents;
- natural disasters;
- adverse weather conditions;
- changes in government practices and policies, including reclamation of land for public works or facilities; and
- other unforeseen problems or circumstances.

Our property projects are at risk from earthquakes, floods and other natural disasters in the regions where we operate. Damage to any of our properties or impact on the markets, whether by natural disasters or otherwise, may either delay or preclude our ability to develop and sell our properties or adversely affect our budget for the effected projects. During the Track Record Period, we had not experienced any significant delays in completion or delivery of our projects. However, the earthquake in Sichuan Province on May 12, 2008 has affected the development schedule for Chengdu Shangmao Garden, and the recent global economic slowdown has affected the development schedules of some of our projects under development and projects held for future development in 2008. See “— The recent

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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” and “— The national and regional economies in China and our business may be adversely affected by natural disasters or other catastrophic events.” We may also experience additional or significant delays in completion or delivery of our projects or we may be subject to liability for any such delays. Construction delays or failure to complete construction of a project according to its planned specifications, schedule or budget may materially and adversely affect our reputation, business, results of operations and financial condition.

Our profitability and results of operations are affected by changes in interest rates

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. In April 2006, the PBOC raised the benchmark one-year lending rate from 5.58% to 5.85% and in August 2006 further increased such rate to 6.12%. The PBOC again increased the one-year lending rate six times in 2007 from 6.12% to 7.47% in December 2007. Beginning in 2008, the PBOC decreased the benchmark one-year lending rate five times, from 7.47% to 5.31% in December 2008, which has remained unchanged as of the Latest Practicable Date. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments.

We have incurred a significant amount of interest expense in relation to the financing. A substantial portion of the interest expense has been capitalized as properties under development, which will then be recognized in the consolidated statements of comprehensive income as cost of sales upon the sale of properties. As a result, such capitalized interest expense may adversely affect our gross profit margin upon the sales of properties in future.

In addition, increases in interest rates may affect our customers’ ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase our properties.

The national and regional economies in China and our business may be adversely affected by natural disasters or other catastrophic events

Certain regions in China, including the cities where we operate, are susceptible to natural disasters such as earthquakes or floods. On May 12, 2008, an earthquake measuring 8.0 degrees on the Richter scale occurred in Sichuan Province. All of our three property projects in Sichuan Province are located in Chengdu, approximately 159 kilometers from the earthquake’s epicenter in Wenchuan County, Sichuan Province. Each project was held for future development when the earthquake occurred, and no construction had begun on the relevant sites. Based on our investigation and site inspections, our properties in Sichuan Province did not suffer any material damage or loss as a result of the earthquake. However, the earthquake adversely affected our ability to complete and sell or lease our properties in Chengdu as scheduled. In particular, as a consequence of the earthquake, we delayed the development schedule for Chengdu Shangmao Garden and postponed the pre-sale of the project, which was originally scheduled in November 2008.

We have entered into an agreement to jointly renovate and develop a parcel of land located in Pi County, Sichuan Province, with other parties. The renovation works were completed in December 2007 and the Pi County Land Resources Center (郫縣土地儲備中心), a party to the agreement. See the

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section entitled “Business — Other Contractual Arrangements — Contractual arrangements relating to cooperative or joint development — (20) A primary land development contract” in this document. This parcel of land is approximately 116 kilometers from the earthquake’s epicenter in Wenchuan County, Sichuan Province. As a result of the earthquake, the public auction for the land use rights has been delayed, and was held and completed in October 2009. Such delay has affected our ability to receive our expected return on the investment in a timely manner.

Natural disasters or other catastrophic events, such as earthquakes, floods or severe weather conditions affecting China, particularly the regions where we operate, could, depending upon their magnitude, significantly disrupt our business operations or cause a material economic downturn in the affected area, which in turn could materially and adversely affect our business, results of operations and financial condition.

The appraised value of our properties in Property Valuation Report may be different from the actual realizable value and is subject to change

The Property Valuation Report prepared by Savills Valuation and Professional Services Limited is included in Appendix IV to this document. The valuations in the report are based on multiple assumptions which by their nature are subjective and uncertain. 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 in a particular project or in national or local economic conditions or other relevant factors may affect the value of our properties.

The assumptions, on which the appraised value of our properties and land reserves is based, include that:

- we will complete development projects on time;
- we have obtained or will obtain on a timely basis all licenses, certificates, permits and approvals from relevant authorities 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 rights certificates and transferable land use rights without any payment obligation of additional land premium and demolition and resettlement costs.

As for properties which we do not wholly own, their appraised values are allocated to us according to our pro rata ownership in the relevant project companies. If any of the assumptions proves to be incorrect and/or the actual realizable value of any of our properties is significantly lower than its appraised value, our business, results of operations and financial position may be materially and adversely affected.

The Property Valuation Report also made reference to the land under the section entitled “Group VII — Property interests to be acquired by the Group in the PRC” that we, by September 30, 2009, had entered into agreements with relevant owners of the properties or government authorities, but had not made full payment of the land premiums or satisfied other conditions for obtaining the relevant land use rights certificates. As a result, we are not in possession of the land use rights certificates with respect to these properties as of the date of this document. In accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors, the PRC properties without land use rights

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certificates may not be assigned any commercial value for purposes of issuing any property valuation report in connection with a listing on the Stock Exchange. You should not unduly rely on the estimated value of the relevant parcels of land of which the property interests are to be acquired by us as disclosed in the Property Valuation Report because the issuance by the government of the relevant land use rights certificates depends on our timely payment of the requisite land premiums as well as many other conditions beyond our control.

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

According to the relevant PRC law, property developers must meet various requirements as stated below within 90 days after delivery of property or such other time period that may be provided in the relevant sales and purchase agreement to assist a purchaser in obtaining the individual property ownership certificate. We generally elect to specify the deadline to apply for an individual property ownership certificate in the sales and purchase agreement to allow sufficient time for the application and approval process. Within three months of the date of the completion certificate for a development, we must apply for a general property ownership certificate for the entire development. This involves, among other things, the submission of a number of documents, including land use rights documents, planning approvals and construction permits. Following the effective date of a sales and purchase agreement for one or more units in a development, we then assist the purchaser to apply for an individual property ownership certificate for each unit. This involves submission of other documents, including the sales and purchase agreement, identification documentation for the purchaser, evidence of payment of deed tax and a copy of the general property ownership certificate issued to us. Delay by a purchaser in providing the documents relating to the purchaser, or delay by the various administrative authorities in reviewing the relevant application document, as well as other factors beyond our control, may affect timely delivery of the relevant individual property ownership certificate. Under current PRC laws and regulations and under our sales and purchase agreements, we are required to compensate our customers for delays in delivery caused by us of individual property ownership certificates. During the Track Record Period, we had not paid any compensation for delays in delivery of individual property ownership certificates. However, we cannot assure you that delays in delivery caused by us of the required property ownership certificates will not occur. Significant delays with respect to one or more of our developments may materially and adversely affect our reputation, business, results of operations and financial condition.

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

Under PRC laws and regulations, if we fail to develop a property 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, the specified use of the land and the time for commencement and completion of the development, the PRC Government may issue a warning, impose a penalty, and/or take back our land. Under current PRC laws and regulations, if we fail to pay any outstanding land grant premium on time, we may be subject to a late payment penalty of 0.1% of the outstanding balance for every day of delay in payment. In addition, the PRC government may impose an idle land fee equal to 20% of the land premium or allocation fees if (i) we do not commence construction for more than one year after the date specified in the relevant land grant contract, (ii) total constructed GFA is less than one-third of the total proposed GFA for the development, or (iii) the capital invested in the development

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is less than one-fourth of the total investment approved for the development and the development is suspended for more than one year without governmental approval. Furthermore, the PRC government has the authority to take back the land without compensation to us, if we do not commence construction for more than two years after the date specified in the land grant contract, unless the delay is caused by force majeure or governmental action.

During the Track Record Period, two of our projects, the Dijingwan and the Zhongyang Haomen, were subject to late payments in respect of idle land. The late payments in both cases were due to the failure to commence development by our third-party joint developers, who held the respective land use rights certificates, before we entered into cooperative arrangements with them. The late payment in respect of idle land for the Dijingwan project of approximately RMB4.6 million was fully paid on June 19, 2007, and the late payment in respect of idle land for Zhongyang Haomen of approximately RMB5.4 million was fully paid on September 14, 2006. During the Track Record Period and through the Latest Practicable Date, we have not received any other warning regarding idle land or paid any penalties for the late payment of land premium or in respect of idle land, and none of our land has been taken back by the government as a result of being idle for two years. However, we cannot assure you that there will be no significant delays in the commencement of construction or the development of our properties in the future, or that our developments will not be subject to idle land penalties or be taken back by the government as a result of such delays. The imposition of substantial idle land penalties could have a material and adverse affect on our business, results of operations and financial condition. If any of our land is taken back by the government, we would not only lose the opportunity to develop the property, but we would also lose our prior investments in the development, including land premiums paid and costs incurred prior to the date on which the land is taken back.

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 intend to continue to acquire the controlling equity interests in companies holding land use rights as a means of expanding our business and land bank. However, we may face strong competition during the acquisition process and we may not be successful in selecting or valuing target companies or their land appropriately. As a result, we may be unable to complete such acquisitions at reasonable cost, or at all. Even if an acquisition is successful, we may have to allocate additional capital and human resources to integrate the acquired business into our operations. We also cannot assure you that the integration of any acquired company will be successfully completed within a reasonable period of time, or at all, or that it will generate the economic benefit that we expected.

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

We may be required to undertake and pay for demolition of existing buildings and resettlement of existing residents with respect to some of our property developments in accordance with the relevant PRC laws and regulations. We have entered into certain contractual arrangements involving demolition and resettlement works. In particular, we have entered into certain contractual arrangements relating to redevelopment and primary land development with a view to facilitating potential acquisitions of land use rights or enhancing our future expansion into the relevant markets. See the section entitled “Business — Other Contractual Arrangements” in this document. In the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our demolition and resettlement costs

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were approximately RMB1.9 million, RMB107.1 million, RMB9.6 million and RMB10.9 million, respectively. The compensation we pay for resettlement is calculated in accordance with certain formulas published by the relevant local authorities. These formulas take into account the location, GFA and the type of building to be demolished, local income levels and many other factors. There can be no assurance that local authorities will not change or adjust their formulas without prior notice. Existing owners or residents may disagree with the compensation arrangements or refuse to relocate. The administrative process to settle the amount of compensation, together with any appeals, or a refusal to relocate may significantly delay the timetable for the affected development. For example, for certain contractual arrangements relating to redevelopments, we have been in resettlement compensation negotiations with the existing residents for over five years, and as of the Latest Practicable Date, such negotiations had not been completed. Although we took into consideration the difficulties in resettlement compensation negotiations before we entered into these contractual arrangements, the protracted resettlement process may cause delays in the redevelopment projects, and adversely affect our plans to obtain the relevant land use rights or enter into the new markets. In addition, there is no assurance that we will be able to reach agreements for compensation and resettlement for these redevelopment projects on terms satisfactory to us or at all. Moreover, an unfavorable final determination or settlement regarding the amount of compensation payable by us may increase the cost of the development and materially and adversely affect our cash flow, business, results of operations and financial condition.

A deterioration in our brand image could adversely affect our business

We rely to a significant extent on our brand name and brand image, “Kaisa” (“佳兆業”). Any negative incident or negative publicity concerning us or our properties developments could adversely affect our reputation and business. In addition, although we are a well-known brand in the Pearl River Delta Region, we are less well known in other regions in China. Brand value is based largely on subjective consumer perceptions and can be damaged even by isolated incidents that degrade consumer trust. Consumer demand for our products and our brand value could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently positive consumer experience in each of our complexes, or if we are perceived to act in an unethical or socially irresponsible manner.

In addition, our efforts to protect our brand name may not be adequate, and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. Currently, we have 90 trademark applications pending in the PRC. We applied for the registration of these 90 trademarks in May 2007. As advised by our PRC legal adviser, the registration process generally takes approximately 12 to 18 months, and a period of 24 months is usually needed before trademark registration certificates will be issued. In August 2009, six of our trademark applications were registered, and additional eight of our trademark applications received preliminary approvals and were published in the PRC Trademark Gazette. If no opposition against our applied trademarks is filed within three months after publication, the application will be deemed registered. Our other trademark applications were still under the review of the PRC Trademark Office as of the Latest Practicable Date. In addition, we have registered two trademarks covering our logo in Hong Kong. We are not aware of any material unauthorized use of our brand name or logo or other forms of our brand image. According to our PRC legal adviser, while the relevant trademark applications are pending, we may limit unauthorized third-party use of those trademarks under the PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法). However, the protection under the PRC Anti-Unfair Competition Law is more limited than the protection available for registered trademarks. Our brand could be misappropriated or misused in the future. If the registration of our brand name “佳兆業” and the

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relevant trademarks in the PRC cannot be completed, we will not be able to have adequate protection against unauthorized use or infringement of our brand name committed by any third parties. Any unauthorized use or infringement of our brand name may impair the value we have built in our brand name, damage our reputation and materially and adversely affect our business and results of operations.

Our success depends on the continued services of our senior management team

Our success and growth depend on Mr. Kwok Ying Shing, our founder and chairman and the continued services provided by our executive Directors and other members of our senior management team. They have extensive experience in the PRC real estate industry, and in-depth knowledge of various aspects of property development, strategic planning and business management. We cannot assure you that any executive Director or member of senior management is willing or able to continue in his or her present position or that we will be able to find and hire a suitable replacement, or if he or she is recruited by a competitor or departs to start a competing business. Moreover, along with our steady growth and expansion into other regional markets in China, we will need to employ, train and retain additional suitable skilled and qualified management and employees from a wider geographical area. If we cannot attract and retain suitable personnel, our business and future growth may be materially and adversely affected.

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

We provide property management services to the owners of our developed residential and commercial projects through our wholly owned property management subsidiaries. We believe that property management is an important part of our business strategy and is critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, a majority of property owners of a residential community of certain size have the right to change the property management service provider. We had not experienced any termination of our property management services by the owners of our developed properties during the Track Record Period. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the revenue derived from our property management services was RMB3.7 million, RMB11.1 million, RMB40.3 million and RMB26.2 million, respectively. If the owners of a residential property that we have developed, however, choose to terminate our property management services, or our customers are unsatisfied with our property management services, our reputation may be materially and adversely affected.

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 may be involved in disputes with various parties involved in the construction, development and the sale of our properties, including contractors, suppliers, construction workers, original owners and residents, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, incurrence of substantial costs and the 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 relevant project is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. These disputes and legal and other proceedings may

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materially and adversely affect our reputation and our business, results of operations and financial condition. See the section entitled “Business — Legal Proceedings and Material Claims” in this document.

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 decrees that result in liabilities and cause delays to our property developments. If we fail to comply with any applicable PRC laws or regulations, our reputation and our business, results of operations and financial condition may be materially and adversely affected. See the section entitled “Business — Compliance with Relevant PRC Regulations and Requirements” in this document.

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

A PRC property developer must hold a valid qualification certificate to develop property. In addition, at various stages of project development, the PRC property developer must also obtain various licenses, certificates, permits, and approvals from the relevant PRC administrative authorities, including land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion.

According to the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) issued by the Ministry of Construction, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the one-year period following the provisional qualification certificate, it will not be allowed to extend the term of its provisional qualification certificate. Developers with longer operating histories must submit their qualification certificates to relevant construction administration authorities for review annually. Government regulations require developers to fulfill all statutory requirements before they may obtain or renew their qualification certificates.

We conduct our property developments through project companies. These project companies must hold valid qualification certificates to be able to conduct their businesses. We cannot assure you that our project companies will continue to be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. If any of our project companies does not obtain or renew the necessary qualification certificate in a timely manner, or at all, our prospects, and our business, results of operations and financial condition may be materially and adversely affected.

Pursuant to the Measures for the Administration of Qualifications of Property Service Enterprises (物業服務企業資質管理辦法), entities engaged in property management are required to obtain qualification certificates before they commence their business operations. Our wholly owned property management subsidiaries are primarily engaged to manage the residential and commercial properties we developed. If any property management companies are unable to meet the relevant requirements and therefore unable to obtain or maintain the qualification certificates, our business and financial condition could be materially and adversely affected.

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In addition to the above, we cannot assure you that we will not encounter significant problems in satisfying the conditions to or delays in the issuance of other necessary licenses, certificates, permits or approvals. There may also be delays on the part of the administrative bodies in reviewing and processing our applications and granting licenses, certificates, permits or approvals. If we fail to obtain the necessary governmental licenses, certificates, permits or approvals for any of our major property projects, or a delay occurs in the government’s examination and review process, our development schedule and our sales could be substantially delayed, resulting in a material and adverse effect on our business, results of operations and financial condition.

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

We cooperate with Centaline, our primary sales partner specializing in agency sales for residential and commercial properties, to jointly promote our properties across different regional markets in China. We began cooperating with Centaline in 2000. We generally enter into one-year non-exclusive sales agency agreements with respect to Centaline’s sales agency services in mainland China, and one-year exclusive sales agency agreements with respect to Centaline’s sales agency services in Hong Kong, both on a project-by-project basis. Under these agreements, Centaline is generally entitled to a sales commission for sales it concludes upon completion of the sale pursuant to the relevant property purchase contract. Our arrangements with Centaline has always been and will continue to be dependent upon the demand for the properties we develop in the relevant local markets. During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, Centaline’s agency sales represented approximately 68.4%, 48.9%, 74.6% and 71.5%, respectively of our total property sales proceeds. If we or Centaline discontinue or significantly limit our cooperation, terminate our sales agency agreements, or decide not to enter into new agreements upon expiration of our existing sales agency agreements, our sales may be interrupted. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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 real estate industry in China is heavily regulated by the PRC Government. We must comply with various PRC policies, laws and regulations, as well as the practices and procedures of various local authorities. The PRC Government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures such as control of the credit market, taxation and foreign investment. In particular, these measures include raising benchmark interest rates of commercial banks and individual property purchasers, placing additional limitations on the ability of commercial banks to make loans to property developers, imposing additional taxes and levies on property sales and restricting foreign investment in the PRC property sector. Many of the real estate industry policies implemented by the PRC Government are unprecedented and are expected to be refined and adjusted over time. Political, economic and social factors may also lead to further policy adjustments. This refining and adjustment process may not necessarily have a positive effect on our operations and our future business development.

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Along with general economic growth in China, investments in the property sector have increased significantly in the past few years. In response to concerns over the scale of the increase in property investments, and in light of increasing speculation in the property market, the PRC Government has introduced policies and regulations to control the growth of the property sector, these policies and regulations, among others, include the following:

- requiring real estate developers to finance 20% of the total projected capital outlay of a government subsidized housing project or an ordinary commodity housing project with internal funding 30% of the total projected capital outlay of other property projects with internal funding;
- 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;
- imposing a turnover or business tax on certain secondary sales of property, and requiring the tax to be collected as a condition to the transfer of the relevant property ownership certificate;
- suspending land supply for villa construction and restricting land supply for high-end residential property developments;
- 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-sized units for sale, or low-cost rental units;
- requiring that at least 70% of the total development and construction area of any residential project approved or constructed on or after June 1, 2006 must consist of units with a unit floor area of less than 90 sq.m., and that any residential project approved prior to June 1, 2006 but as to which no construction permit had been issued by that date must be reconfigured to comply with this new requirement (except in special circumstances, as approved by the Ministry of Construction, for certain projects in municipalities directly administered by the PRC central government, provincial capitals and certain other cities);
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land or vacant properties;
- removing foreign investment in the ordinary residential development sector from the encouraged category, and restricting foreign investment in a number of other property sectors, including development of tracts of land through Sino-foreign joint ventures, construction and operation of high-end hotels, villas, high-end office buildings and international convention and exhibition centers, and the real estate agency business;
- requiring various localities to set up new land reserve institutions to control primary development of land through public tender for the relevant primary development work, and to control generally the use of the relevant local land and payments relating both to primary development work and land premiums; and

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- prohibiting PRC commercial banks from granting loans to property developers who hold the land that has been idle for two years or more.

For more information, see “Summary of the Principal Legal and Regulatory Provisions” in Appendix V to this document. The various restrictive measures taken by the PRC Government with an aim to control the growth of the property sector may limit our access to capital and reduce market demand, and in adapting to these measures our operating costs may also increase. On October 22, 2008, the PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Individual Commercial Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知). In December 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (國務院辦公廳關於促進房地產市場健康發展的若干意見). Although these two regulations encouraged the purchase of individual housing, we cannot assure you that the PRC Government will not introduce additional or more stringent measures to regulate the growth of the property sector in China. 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 PRC real estate industry, or if such policy or regulatory changes disrupt our business or cause us to incur additional costs, our business, results of operations and financial condition may be materially and adversely affected.

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

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

Oversupply of properties could drive prices down and adversely affect our business

The PRC property market can be volatile, characterized by oversupply and price fluctuations. Macro-economic measures have recently been adopted by the PRC government in an attempt to slow the rapid growth of the PRC’s economy and deter investment in fixed assets, including real estate assets. We cannot assure you that there will not be an oversupply of property. If there is an oversupply of property or a decline or stagnation in average property prices in our markets, our business, results of operations and financial condition could be materially and adversely affected.

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

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

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

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we pre-sell units in a property development and we fail to complete that development, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, our purchasers may claim 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 their pre-sale contracts and claim for compensation. A purchaser may also terminate his or her contract with us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. We cannot assure you that we will not experience delays in the completion and delivery of our projects, or that the GFA for a delivered unit may deviate more than 3% from the GFA set out in the relevant contract. If these or other similar circumstances arise and result in a termination of contracts with purchasers or exposure to liability for losses or compensatory damages, our reputation and, as a consequence, our business, results of operations and financial condition may be materially and adversely affected.

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 permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the plans submitted and approved in connection with the construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for the development, and as a consequence, we would not be in a position to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires governmental approval, and the payment by us of additional land premium. We may also be subject to liability to purchasers under our sales and purchase agreements. In the development of our Guangzhou Jinmao, the

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constructed total GFA exceeded less than 2% of the permitted total GFA as provided in the construction works planning permit. We have fully settled with the relevant government authority the payment of additional land premium with respect to the excess GFA and obtained the acceptance and compliance form of construction completion for Guangzhou Jinmao. During the Track Record Period, except for Guangzhou Jinmao, our constructed total GFA had not exceeded the permitted total GFA.

We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA for that development, or that the authorities will not determine that all built-up areas conform to the plans submitted and approved in connection with the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to pay for any corrective action that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our reputation, and our business, results of operations and financial condition.

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

Mortgage lending is becoming an increasingly important means of financing by property purchases in China. A large number of purchasers of our properties rely on mortgages to finance their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of residential 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 to potential property purchasers. Under current PRC laws and regulations, a purchaser of a residential property generally must pay at least 20% of the purchase price of the property before he or she can finance the remaining balance through a mortgage loan. Since May 2006, the PRC government has increased the minimum down payment to 30% of the purchase price for first-time home owners, if the property has a floor area of 90 sq.m. or more. For second-time home purchasers that use mortgage financing, the minimum down payment has increased to 40% of the purchase price, and the minimum loan interest rate must be at least 10% above the relevant PBOC benchmark interest rate. On October 22, 2008, the PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Individual Commercial Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知). Pursuant to the notice, the minimum down payment for home purchasers on their first house purchase was reduced to 20% of the purchase price, with the minimum mortgage loan interest rate adjusted to 70% of the relevant PBOC benchmark interest rate. For commercial property purchasers, banks are now not allowed to finance the purchase of any pre-sale properties. The minimum down payment for commercial property purchasers has increased to 50% of the purchase price, and the minimum loan interest rate must be at least 10% above the relevant PBOC benchmark interest rate and the term of the loan may not exceed 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 materially and adversely affected.

In line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers up until we complete the relevant property and the individual property ownership certificates with respect to the relevant properties are issued to our purchasers and the mortgage registrations for the relevant properties have been completed. If there are changes in laws, regulations, policies and practices

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that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and the banks would not accept any alternative guarantees by third parties, or if no third party is available or willing in the market 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 materially and adversely affect our cash flow, financial condition and results of operations.

Intensified competition may adversely affect our business and our financial condition

We face competition from a number of property developers. Our existing and potential competitors include private and public developers in the PRC, as well as developers from Hong Kong. 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 increases in land premiums and raw material costs, shortages in quality construction contractors, surpluses in property supply leading to decreasing property prices, further delays in the issuance of government approvals and permits, and higher costs to attract or retain talented employees. Moreover, residential property markets across China are influenced by various other factors, including changes in policies and regulations, economic conditions, banking practices and consumer sentiment. If we fail to compete effectively, our business operations, financial condition and results of operations could be materially and adversely affected.

Our results of operations may vary significantly from period to period

Our results of operations may vary significantly due to a number of factors, including the timetables of our property development projects, the timing of the sale of properties that we have developed, our revenue recognition policies and any volatility in expenses such as raw material costs. The overall schedules of our property development and the number of properties that we can develop or complete during any particular period are limited as a result of the substantial capital required for the acquisition of land, demolition and resettlement and construction. The sale of properties we develop is subject to general market or economic conditions in the areas where we conduct our business and the level of acceptance of our properties by prospective customers. According to our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which may typically take six to 12 months after the commencement of the pre-sale. Therefore, in periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. In addition, our business depends on obtaining adequate supplies of raw materials and is subject to fluctuation in the market prices of raw materials. The prices that we pay for raw materials may increase due to increased industry demand, inflation, higher fuel and transportation costs and other factors. We will continue to experience significant fluctuations in revenue and profit on an interim basis. We therefore believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with recurring revenue.

Potential liability for environmental damages could result in substantial cost increases

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations that apply to any given project development site vary according to the site’s location, the site’s environmental condition, the present and

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former uses of the site and the nature and former uses of adjoining properties. Compliance with environmental laws and regulations may result in delays in development, substantial costs and may prohibit or severely restrict project development activity in environmentally sensitive regions or areas. Under PRC laws and regulations, we are required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencing construction of any project. 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, results of operations or financial condition, it is possible that there are potential material environmental liabilities of which we are unaware. In addition, our operations could result in environmental liabilities or our contractors could violate environmental laws and regulations in their operations that may be attributed to us. For more information, see the section entitled “Business — Environmental and Safety Matters” in this document.

The construction business and the property development business are subject to claims under statutorily mandated quality warranties

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), all property development companies in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from third-party contractors we hire to construct our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the retention money retained by us is not sufficient to cover our payment obligations under the quality warranties, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO CHINA

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

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

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

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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. In addition, the PRC government continues to pay a significant rate in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are expected to be 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 that the government believed to be overheating, including the real estate industry. These measures have included restricting foreign investment in certain sectors of the real estate industry, raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. These actions, as well as future actions and policies of the PRC Government, could cause a decrease in the overall level of economic activity, and in turn have a material and adverse impact on our business and financial condition.

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

The PRC government imposes controls on the conversion of Renminbi into foreign currencies and, in certain cases, the remittance of foreign exchange out of China. Our businesses are principally conducted in Renminbi, and substantially all of our revenue and operating expenses are denominated in Renminbi. Under our current structure, our income and sources of fund are primarily derived from dividend payments from our PRC subsidiaries.

Our choice of investment is affected by the PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Under existing PRC foreign exchange regulations, payments of current-account items, including profit distributions, interest payments and operation-related expenditures, may be remitted in foreign currencies without prior approval from the relevant foreign exchange administration authorities by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions. Strict control applies to capital account transactions. Pre-approval or registration is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay for capital expenses. In addition, the transfer of funds between us and our subsidiaries in China is subject to registration with or approval by PRC governmental authorities. For example, any of our loans to our PRC project companies cannot exceed the difference between the total investment amount that our PRC project companies are approved to make under the relevant PRC laws and their respective registered capital, and must be registered with the local branches of the SAFE as a procedural matter. In addition, our capital contributions to our PRC

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project companies are subject to registration with local branches of the SAIC or other relevant local authorities. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC project companies or to fund their operations may be negatively affected, which could adversely affect their liquidity and their ability to fund their working capital and expansion projects.

On July 10, 2007, the General Affairs Department of the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Properly Registered with the MOFCOM (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) (the “SAFE Notice”). The SAFE Notice stipulates, among other things, that the SAFE will no longer process (i) foreign debt registrations or foreign debt applications for settlement of foreign exchange submitted by real estate enterprises with foreign investments that obtained approval certificates from the MOFCOM or its local branches and registered with the MOFCOM on or after June 1, 2007 and (ii) 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 the MOFCOM or its local branches on or after June 1, 2007 but which did not register with the MOFCOM. As PRC companies cannot repay any loans or interest thereon to persons outside the PRC without first completing foreign debt registration with the SAFE, this new circular effectively prohibits our ability to fund some of our PRC subsidiaries in the form of loans. As advised by our PRC legal adviser, the SAFE Notice also restricts foreign-invested property developers from receiving foreign capital by increasing registered capital, and restricts the ability of foreign entities to establish new foreign invested project companies. If a foreign-invested property developer intends to receive foreign capital by increasing registered capital of the existing foreign-invested company or a foreign entity intends to establish a new foreign-invested project company, such registered capital increase or the establishment of the new company must be duly approved by local branches of the MOFCOM and duly registered with the MOFCOM. Absent such approval and registration, the SAFE will not process foreign exchange registrations (or change of such registrations) or applications for settlement and sale of foreign exchange under the capital account. We must first enter into land grant contracts before we may apply for the establishment of a new foreign-invested company. Alternatively, if we elect to engage in any new real estate project development through an existing foreign-invested project company, we must first apply to the relevant PRC governmental authorities to expand the scope of business or scale of operations of such company. Either way, we must file with the MOFCOM and wait until such filing is complete before we may transfer the proceeds into China for the property developments contemplated in this document. There is no assurance how long this process will take, or whether the investment approval and the MOFCOM filing will be successful. Failure to obtain government approvals and filings or material delays in the approval or filing process will adversely affect our development plans. If a real estate developer fails to obtain the approval from the SAFE to convert Renminbi into foreign exchange for any of the above purposes, its capital expenditure plans, and its business results and financial condition, may be materially and adversely affected.

On June 15, 2008, the MOFCOM issued the Notice on Completing the Registration of Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知). According to the notice, the MOFCOM entrusts its provincial departments to verify the filing materials of FIREEs. The notice requires that the establishment (including the increase of registered capital) of a FIREE shall comply with the principle of one project company only engaging in one approved real estate project. Furthermore, the SAFE promulgated a circular in August 2008 with respect to the administration of

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conversion of foreign exchange capital contribution of foreign invested enterprises into Renminbi. Pursuant to this circular, Renminbi converted from foreign exchange capital contribution can only be used for the activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition unless otherwise allowed by PRC laws or regulations. As a result, we may not be able to increase the capital contribution to our project companies or equity investee and subsequently convert such capital contribution into Renminbi for equity investment or acquisition in China. 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 domestic and international economic, financial and political developments and China’s governmental policies, as well as supply and demand in the local and international markets. During the decade ended in 2004, the conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, was 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 PBOC has allowed the official Renminbi exchange rate to float against a basket of foreign currencies, and in the past year, the Renminbi has appreciated nearly 10%. The Renminbi exchange rate could 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 in foreign currency debt including our debt.

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

In March 2007, the NPC enacted the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “New Tax Law”), which took effect on January 1, 2008. The New Tax Law imposes a unified income tax rate of 25% on all domestic and foreign-invested enterprises unless they qualify under certain limited exceptions. According to the New Tax Law, enterprises that are subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after January 1, 2008. For example, the companies established in Shenzhen Special Economic Zone were subject to PRC enterprise income tax at a rate of 15% before January 1, 2008 and allowed an extension period of five years to phase into the new tax regime until the end of 2012, after which the unified 25% tax rate will be imposed. For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we paid enterprise income tax of

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RMB36.1 million, RMB96.5 million, RMB128.8 million and RMB150.9 million, respectively. Going forward, our income tax obligations may increase significantly as an increasing number of our properties will be developed outside of Shenzhen Special Economic Zone in which we enjoy tax benefits.

We are a holding company that is financially dependent on distributions from our subsidiaries and our business operations are principally conducted through our PRC subsidiaries. Prior to December 31, 2007, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends paid to us by our PRC subsidiaries, were exempt from PRC withholding tax. The New Tax Law and the Regulations for Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (together with the New Tax Law, the “New Tax Laws”), effective January 1, 2008, provide that any dividend payment to foreign investors will be subject to a withholding tax at a rate of 10%. Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, which in Hong Kong, applies to income derived in any year of assessment commencing on or after April 1, 2007; and in the PRC, in any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary.

In addition, under the New Tax Laws, enterprises established under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The New Tax Laws provide that “de facto management body” of an enterprise is the organization that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise. If a majority of the members of our management team continue to be located in China, we may be considered a PRC resident enterprise and therefore subject to PRC enterprise income tax at the rate of 25% on our worldwide income. If our PRC subsidiaries become subject to the withholding tax or we otherwise become a PRC resident enterprise under the New Tax Laws, our profitability and cash flow would be materially and adversely affected.

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 Tax Laws, to the extent such dividends for earnings derived since January 1, 2008 are sourced within China, 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 such “non-resident enterprise” investors do 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. Similarly, any gain realized on the transfer of the Shares by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. It is uncertain whether we will be considered a PRC “resident enterprise,” so we are not sure whether the dividends payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our Shares, would be treated as income sourced within China and be subject to PRC tax. 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

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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 areas.

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

In October 2005, the SAFE issued the Notice Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which became effective on November 1, 2005. The notice requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before establishing or controlling any company outside of China (an “offshore special purpose company”) for the purpose of acquiring any assets of or equity interest in a PRC company and raising funds offshore. In addition, any PRC resident who is the shareholder of an offshore special purpose company is required to update its SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment or creation of any security interest over any assets located in the PRC. Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of that offshore special purpose company, including the increase in registered capital, the payment of dividends and other distributions or payments to the offshore special purpose company and capital inflows from the offshore entity. Failure to comply may also subject relevant PRC residents or the PRC subsidiaries of that offshore special purpose company to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

If the SAFE promulgates clarifications or regulations in the future requiring our beneficial owners who are Hong Kong permanent residents to comply with the registration procedures and update requirements described above and if our beneficial owners are unable or fail to comply with such procedures, our beneficial owners may be subject to fines and legal sanctions and our business operations may also be materially and adversely affected, particularly with respect to the ability of our Chinese subsidiaries to remit foreign currency payments out of China.

Interpretation of the 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 the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little if any precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a

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degree of uncertainty. Depending on the governmental 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 a recurrence of SARS or an outbreak of other epidemics, such as influenza A (H1N1) and avian flu

Certain regions in China, including the cities where we operate, are susceptible to epidemics such as Severe Acute Respiratory Syndrome, or SARS, and outbreaks of diseases following in the aftermath of earthquakes, floods and other natural disasters. Past occurrences of epidemics, depending on their scale of occurrence, 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 influenza A (H1N1) and the H5N1 avian influenza, or an epidemics following the aftermath of a natural disaster, especially in the cities where we have operations, may result in material disruptions to our property development projects, and our sales and marketing, which in turn will materially and adversely affect our financial condition and results of operations.

DIRECTORS

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
KWOK Ying Shing (郭英成)	Flat A, 45th Floor Tower 8, Residence Bel-Air Island South Hong Kong	Chinese
KWOK Ying Chi (郭英智)	Flat F, 33rd Floor Tower 8 The Belcher's 89 Pok Fu Lam Road Hong Kong	Chinese
SUN Yuenan (孫越南)	20th Floor, Block E Baishida Phase III Tai Bai Road Luohu District Shenzhen, Guangdong Province PRC	Chinese
YE Jiansheng (葉劍生)	Room 1402, Block 62 Pengxing Garden Lian Tang Luohu District Shenzhen, Guangdong Province PRC	Chinese
CHEN Gengxian (陳耿賢)	Room B-707, Block 5 Ke Yuan Longgang District Shenzhen, Guangdong Province PRC	Chinese
JIN Jane (金潔)	Flat A, 16th Floor Block B Hollywood Terrace 268 Queen's Road Central Central, Hong Kong	Canadian
Independent non-executive Directors		
ZHANG Yizhao (張儀昭)	Room 902 No. 60 Fangcun Avenue East Guangzhou, Guangdong Province PRC	Canadian

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
RAO Yong (饒永)	7th Floor, Tower A 5022 Binhe Road Shenzhen, Guangdong Province PRC	Chinese
FOK Hei Yu (霍義禹)	Flat B, 38/F, South Tower 2 Residence Bel-Air 38 Bel-Air Avenue Hong Kong	Australian

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters in the PRC	Room 3306, Kerry Center Ren Min Nan Road Luohu Shenzhen China
Principal Place of Business in Hong Kong	Suite 2001 20th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
Company Secretary	CHEUNG Hung Kwong, <i>AICPA</i>
Authorized Representatives	KWOK Ying Shing Flat A–B, 45th Floor Tower 8, Residence Bel-Air Island South Hong Kong CHEUNG Hung Kwong Flat A1, Orion Court 17 Ede Road Kowloon Tong Kowloon Hong Kong
Audit Committee	RAO Yong (<i>chairman</i>) ZHANG Yizhao (<i>member</i>) FOK Hei Yu (<i>member</i>)
Remuneration Committee	KWOK Ying Shing (<i>chairman</i>) RAO Yong (<i>member</i>) ZHANG Yizhao (<i>member</i>) FOK Hei Yu, Vincent (<i>member</i>)
Nomination Committee	KWOK Ying Shing (<i>chairman</i>) RAO Yong (<i>member</i>) ZHANG Yizhao (<i>member</i>) FOK Hei Yu (<i>member</i>)

CORPORATE INFORMATION

Principal Banker

Bank of China, Shenzhen Branch

**Principal Share Registrar and Transfer
Office**

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

INDUSTRY OVERVIEW

We have extracted and derived the information and statistics in the section below, in part, from various official government publications and sources as identified. We believe that the sources of the information in the section below are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither we, nor any of our affiliates or advisors, independently verified such information and statistics directly or indirectly derived from such official government publications or make any representation as to their correctness, accuracy, completeness or fairness. The information and statistics may not be consistent with other information and statistics compiled within or outside China. Furthermore, due to the inherent time-lag involved in collecting any industry and economic data, some of the data contained in this section may only represent the state of affairs at the time such data were collected, and as such, you should also take into account subsequent movements in the industry and the PRC economy when you evaluate the information contained in this section.

OVERVIEW OF THE PRC ECONOMY

The PRC economy has grown significantly since the PRC Government introduced economic reforms in the late 1970's. China's accession to the World Trade Organization, or the WTO, in 2001 has further accelerated the reform of the PRC economy.

According to the National Bureau of Statistics of the PRC, China's GDP grew at a compound annual growth rate, or CAGR, of approximately 14.9% from 2000 to 2008. China's GDP grew 9.0% over 2008, reaching RMB30,067 billion. According to the Eleventh Five-Year Plan for National Economic and Social Development, the PRC Government expects to achieve an annual GDP growth of approximately 7.5% in the years from 2006 to 2010. The table below sets out certain selected economic statistics of China for the years indicated.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Nominal GDP										
(RMB in billions)	9,921.5	10,965.5	12,033.3	13,582.3	15,987.8	18,386.8	21,087.1	24,661.9	30,067.0	14.9%
Real GDP growth rate (%)	8.4	8.3	9.1	10.0	10.1	10.4	11.1	11.4	9.0	0.9%
Per capita GDP (RMB). . .	7,858.0	8,622.0	9,398.0	10,542.0	12,336.0	14,103.0	16,084.0	18,934.0	N/A ⁽²⁾	13.4% ⁽¹⁾

Source: China Statistical Yearbook 2007, National Bureau of Statistics of the PRC and 2007 China National Economy and Social Development Statistical Communique

Notes:

(1) The CAGR between 2000 and 2007.

(2) The figure is not yet available.

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In line with the nominal GDP growth, China’s per capita disposable annual income for urban households increased from RMB6,280 in 2000 to RMB15,781 in 2008, implying increased purchasing power for urban households throughout China. The following table illustrates the per capita disposable annual income for urban households and the per capita balance of savings in China.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Per capita disposable annual income for urban households (RMB)	6,280	6,860	7,703	8,472	9,422	10,493	11,760	13,786	15,781	12.2%
Per capita balance of savings (RMB)	5,077	5,780	6,766	8,018	9,197	10,787	12,293	17,621	N/A	19.5%

Source: China Statistical Yearbook 2007, and 2007 and 2008 China National Economy and Social Development Statistical Communique

THE PRC REAL ESTATE INDUSTRY

Prior to the reform of the PRC property market in 1990s, the PRC real estate development industry was part of the nation’s centrally planned economy. In the 1990s, the PRC Government initiated a number of housing reforms and, as a result, China’s real estate and housing sector began its transition to a market-based system. A brief timeline of key housing reforms is set out below:

Timeline of housing reforms

1988	National constitution amended by the NPC to permit the transfer of state-owned land use rights
1992	Commencement of public housing sales in major cities
1994	Further implementation of reforms by the PRC Government, and the establishment of an all-round employer/employee-funded housing fund
1995	Regulations regarding sales and pre-sales of real estate issued by the PRC Government, establishing a regulatory framework for real estate sales
1998	State-allocated housing policy abolished by the PRC Government Regulations on the administration of pre-sales of commodity buildings in Guangdong Province issued by Guangdong municipal government
1999	The PRC Government extends maximum mortgage term to 30 years The PRC Government increases maximum mortgage financing from 70% to 80% The PRC Government formalizes procedures for the sale of real property in the secondary market

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2000	Regulations to standardize the quality of construction projects issued by the PRC Government, establishing a framework to administer construction quality
2001	Regulations relating to sales of commodity housing issued by the PRC Government
2002	Rules on the Grant of State-Owned Land Use Rights through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) promulgated by the PRC Government requiring that land use rights for the purposes of commercial use, tourism, entertainment, commodity housing development and other operational purposes can only be granted by the government through public tender, auction or listing-for-sale The PRC Government eliminates the dual system for domestic and overseas home buyers in China
2003	The PRC Government promulgated rules for more stringent administration of real estate loans with a view to reducing the credit and systemic risks associated with such loans The State Council issued a notice for sustained and healthy development of the real estate market
2004	The State Council issued a notice requiring that, with respect to property development projects (excluding affordable housing), the proportion of capital funds should be increased from 20% to 35% The Ministry of Construction amended the Measures for the Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法) The China Banking Regulatory Commission issued the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) to further strengthen the risk control of commercial banks over their real estate financing
2005	The PRC Government instituted additional measures to discourage speculation in certain regional markets including, among others, increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% on the proceeds from sales that occur within two years of purchase, and prohibiting resale of unfinished properties
2006	The PRC Government implemented additional land supply, bank financing and other measures to curtail fast increases in property prices, to encourage the development of middle to low-end housing and to promote the healthy development of the PRC real estate industry

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2007 The PRC Government issued regulations to increase the annual land use tax, and also to impose such land use tax on foreign invested enterprises

The Ministry of Land and Resources issued regulations that land use rights certificates may not be issued unless and until all land premium has been paid with respect to the whole land lot under a land grant contract, which has effectively stopped the practice of issuing land use rights certificates in installments

2008 The State Council issued the Notice on Promoting the Economic Use of Land (Guo Fa [2008] No. 3) (《國務院關於促進節約集約用地的通知》(國發[2008]3號)). The notice reinforced the existing policy in respect of idle land by stipulating, among other things, that the disposal policies for idle land shall be implemented strictly. The requirement that not less than 70% of the residential land must be used for developing low-cost rental units, small- to medium-sized units, low-to-medium-cost units and units with a GFA of less than 90 sq.m. is also reinforced in this notice. The notice establishes an additional land premium surcharges on idle land and authorizes the Ministry of Land and Resources to formulate regulations to implement such surcharges.

The PBOC and the CBRC jointly issued the Notice on Promoting Economic Use of Land through Finance (關於金融促進節約集約用地的通知). The notice emphasizes that the financial institutions should tighten the management of loans for certain projects and the management of credit for commercial real estate such as prohibiting from granting loans to property projects for which the land that has been held idle for two years or more.

For additional information on housing reforms and recent regulatory developments with respect to China’s property industry, see “Summary of Principal Legal and Regulatory Provisions” in Appendix V to this document.

Measures affecting the PRC property market

Since 2004, in an effort to reduce the growth rate of China’s economy and achieve balanced and sustainable economic growth, the PRC Government has taken measures to control money supply, credit availability and fixed assets investment. The PRC Government has also taken measures to discourage speculation in the residential property market and to increase the supply of affordable housing. In response to concerns over the scale of the increase in property investment, the PRC Government has introduced policies to restrict future development, including:

- 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 their monthly income;
- increasing the minimum required capital contribution of real estate developers from 20% to 35% of the total projected capital outlay of any property development;

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- increasing the reserve requirement ratio of funds that a commercial bank must hold on deposit from 7% to 14.0–17.0%, effectively reducing the amount of money a bank is able to lend; and
- tightening regulations governing mortgage lending and restricting approval of new development zones.

In April 2005, the Ministry of Construction and other relevant Chinese government authorities jointly issued the Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) followed by a set of new measures. These measures, which are aimed at directly controlling the growth of the real estate industry, include:

- a business tax levy, starting June 1, 2005, on the sales proceeds subject to the length of holding period and type of properties;
- a ban on onward transfer of uncompleted properties;
- an increase of the minimum required loan payment to 30% of the total purchase price;
- an elimination of the preferential mortgage interest rate for residential housing;
- an imposition of a land idle fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancellation of land use rights for land which has been idle for two years or more;
- a revocation of projects not in compliance with the planning permits; and
- a ban on land provision for villa construction and a restriction on land provision for high-end residential property construction.

In May 2006, the Ministry of Construction, the NDRC, the PBOC and other relevant PRC government authorities jointly issued the Opinions on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices (關於調整住房供應結構穩定住房價格的意見). The opinions reiterated the existing measures and introduced new measures intended to further curtail rapid increases in property prices in large cities and to promote the healthy development of the PRC property market. Among others, these measures include:

- requiring that at least 70% of the land supplied by a local government for residential property development for any given year must be used for developing small to medium-size units at low to medium cost, offered as low-cost rental properties;
- requiring that at least 70% of residential projects GFA approved or constructed on or after June 1, 2006 must consist of units with a GFA of less than 90 sq.m. per unit and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to conform with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

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- imposing a business tax levied on the entire sales proceeds of residential properties sold within five years of purchase, effective June 1, 2006, as opposed to two years when such levy was initially implemented in June 2005, and also imposing a business tax levied on the difference between the sale price of a property after five years from the purchase date and the original purchase price if such property is not deemed to be an ordinary residential property;
- increasing the minimum amount of down payment from 20% to 30% of the total purchase price for any underlying property if the underlying property has a residential unit floor area of 90 sq.m. or more, effective June 1, 2006. This applies to all existing units and units yet to be completed. A down payment of 20% is required for residential units purchased for self use with floor area of 90 sq.m. and below; and
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio of less than 35%, calculated by dividing the internal funds by the total project capital required for the project, thereby restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for mortgage loans.

In May 2006, the Ministry of Land and Resources issued the Urgent Notice on Further Tightening Land Administration (關於當前進一步從嚴土地管理的緊急通知). Under this notice, local governments are required (1) to adhere to their annual overall land use planning and land supply plans and tighten the control on land supply for non-agricultural use, (2) to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing and to strictly enforce the regulations regarding penalties on and forfeiture of idle land, and (3) to conduct thorough investigations on illegal use of land and submit a report on such investigations to it by the end of October 2006.

In July 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見). The opinions set out the regulations on the investment in property in China by overseas entities or individuals other than for self-use, and include the following:

- an overseas entity or individual investing in property shall apply for the establishment of a FIREE, and may only conduct operations within its authorized business scope;
- the registered capital of a FIREE with a total investment of US\$10 million or above shall not be less than 50% of its total investment amount;
- a newly established FIREE can only obtain an approval certificate and business license that is valid for one year. The approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant authorities after the land premium has been paid;

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- an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic property enterprise by foreign investors, must first be approved by the Ministry of Commerce or its local counterpart. Foreign investors acquiring a domestic property enterprise through an equity transfer or acquiring equity interest from a Chinese partner in an equity joint venture shall pay the purchase price in one lump sum from its own capital;
- if the registered capital of a FIREE is not fully paid up, its land use rights certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and the SAFE shall not approve the settlement of any foreign loans;
- the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and
- a branch or representative office established by a foreign investor in China (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

In December 2006, SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知) with effect from February 1, 2007. This notice regulates, among others, (1) the conditions under which LAT must be settled; (2) the methods in which taxable gains are computed; (3) identifying items which are allowable deductible costs; (4) time frame for settlement of the LAT, and (5) requirements for filing of documents. The purpose of the Notice was to regulate the settlement of LAT by property development enterprises more stringently. Pursuant to this notice, effective February 1, 2007, a real property developer must settle the relevant LAT payment of its property development projects with the tax authorities in accordance with the applicable LAT tax rates. LAT must be paid if a project meets any of the following requirements: (1) the property development project has been completed and sold out; (2) the entire uncompleted and unsettled development project is transferred; or (3) the land-use rights of the relevant project are transferred.

In May 2007, the MOFCOM and the SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Investment in the Real Estate Sector in the PRC (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which provides that:

- foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled;
- prior to obtaining approval for the establishment of FIREEs, either (i) both the land use right certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing title certificates should be entered into;

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- enterprises which have been established as foreign-invested enterprises need to obtain approval before expanding their business scope into the real estate sector and foreign-invested enterprises which have been established for real estate development need to obtain approvals to expand their real estate business scope;
- acquisitions of real estate enterprises and foreign investment in the real estate sector by way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to a FIREE may not in any way guarantee a fixed investment return;
- FIREEs approved by local approval authorities must immediately register with the MOFCOM through a filing made by the local approval authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business may not effect foreign exchange settlements of capital account items for those FIREEs which have not completed their filings with the MOFCOM or fail to pass the annual inspections; and
- for those FIREEs approved by local authorities in violation of applicable rules, (i) the MOFCOM will investigate, impose punishments and require corrections, and (ii) foreign exchange administrative authorities will not accept the foreign exchange registrations of such enterprises.

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 Property Registered with the MOFCOM (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) indicating that it would not process for foreign investment enterprises in the real estate sector any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with the MOFCOM after June 1, 2007. As PRC companies cannot repay any loans or interest associated therewith, under the PRC foreign exchange control system, to persons outside the PRC without registering the foreign debt with the SAFE, this notice effectively prohibits our ability to fund our PRC subsidiaries in the form of loans. See the section entitled “Risk Factors — Risks Relating To China — Government 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” in this document.

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On September 27, 2007, the PBOC and the CBRC promulgated the Circular on Strengthening the Administration of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的通知), which further tightened mortgage lending practice for commodity properties, including:

- increasing the down payment requirement applicable to a purchaser acquiring his second residential property to at least 40% and setting the interest rate for these loans at no less than 110% of the respective PBOC benchmark interest rate for loans of the same kind and the same term, if the purchaser has any outstanding loan with respect to his or her first property; and
- increasing the down payment requirement for commercial properties such as offices and shopping malls from 40% to 50% of the purchase price.

The circular emphasizes that commercial banks must not offer loans to property developers which have been verified by land and resource and construction authorities to hoard land and buildings. In addition, commercial banks are banned from offering loans to projects that have less than 35% of the necessary capital funds (proprietary interests), or that fail to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction works commencement permits. Commercial banks are also prohibited from accepting commercial properties that have been vacant for more than three years as security for any loans. In principle, property development loans provided by commercial banks should only be used for the projects in the areas where the commercial banks are located. Otherwise, commercial banks should carry out effective risk control measures and make filings with the PRC supervisory authorities before disbursement of the loans.

On December 5, 2007, the PBOC and the CBRC jointly issued the Supplemental Circular on Strengthening the Administration of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的補充通知), which clarifies that the terms of property mortgage loans should be calculated on a family basis, including the borrower, his spouse and minor child.

On January 3, 2008, the State Council issued the Notice on Promoting Economizing Land Use (關於促進節約集約用地的通知) with respect to the collection of additional land premiums, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice urges the full and effective use of existing construction land and the preservation of farming land. The notice emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land premium. The notice also establishes an additional land premium surcharges on idle land and authorizes the Ministry of Land and Resources to formulate regulations to implement such surcharges. The notice further urges financial institutions to exercise caution when processing loan applications from property developers that have failed (i) to commence construction; (ii) to complete development of at least one-third of the land area; or (iii) to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice states that the relevant governmental authorities will formulate and issue further rules and regulations on such requirements.

On June 18, 2008, the MOFCOM issued the Notice on Properly Archiving the Filings for Foreign Investment in Real Estate Sector (關於做好外商投資房地產業備案工作的通知). According to the notice, since July 1, 2008, the MOFCOM entrusts its provincial level branches to review the filing

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materials with respect to foreign investment in real estate sector and check and confirm the legality, authenticity and accuracy of the materials. The MOFCOM will archive the filing after receiving the archival form duly completed and submitted by the provincial level branches.

On July 29, 2008, the PBOC and the CBRC jointly issued the Notice on Promoting Economic Use of Land through Finance (關於金融促進節約集約用地的通知). The Notice emphasizes that the financial institutions should tighten the management of loans for certain projects, including construction projects, municipal infrastructures and industrial land use projects, rural collective construction land use projects, and should tighten the management of credit for commercial real estate. The commercial banks are prohibited from granting loans to the property developers for payment of land premium and to the property projects including but not limited to the followings:

- the construction projects for which the relevant land falls into the catalog of banned land use projects;
- the property development projects for which the relevant land is supposed to be developed for rural collective construction land use; and
- the property development projects for which the relevant land has been idle for two years or more.

For additional information on measures affecting the PRC real estate market, please see “Summary of Principal Legal and Regulatory Provisions” in Appendix V to this document.

From 2000 to 2008, according to the National Bureau of Statistics of the PRC, China’s urbanization rate (i.e. the proportion of population residing in urban areas) increased from 36.2% to 45.7% and urban population increased from 459 million to 607 million during the same period, representing a CAGR of 3.6%.

The following table sets forth China’s urbanization rate for the years indicated.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Urban population										
(millions)	459	481	502	524	543	562	577	594	607	3.6%
Total population (millions)	1,267	1,276	1,285	1,292	1,300	1,308	1,314	1,321	1,328	0.6%
Urbanization rate (%) . . .	36.2	37.7	39.1	40.5	41.8	43.0	43.9	44.9	45.7	3.0%
Per capita disposable										
income for urban										
households (RMB) . . .	6,280	6,860	7,703	8,472	9,422	10,493	11,759	13,786	15,781	12.2%

Source: China Statistical Yearbook 2007, and 2007 and 2008 China National Economy and Social Development Statistical Communique

Commodity Property Sales

The continuous upward trend in the China real estate industry is backed by rising prices and strong demand. According to the National Bureau of Statistics of the PRC, a total GFA of 585 million sq.m. was completed in the PRC in 2008, representing a 4.8% increase from 2006.

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The table below sets forth certain information on the major supply and demand indicators for the years indicated.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Investment in real estate (RMB in billions)	498.4	634.4	779.1	1,015.4	1,315.8	1,590.9	1,942.2	2,528.0	3,058.0	25.5%
Total GFA completed (sq.m. in millions)	251.0	298.7	349.8	414.6	424.6	534.2	558.3	582.4	585.0	11.2%
Total GFA sold (sq.m. in millions).	186.4	224.1	268.1	337.2	382.3	554.9	618.6	761.9	620.9	16.2%
Residential GFA sold (sq.m. in millions)	165.7	199.4	237.0	297.8	338.2	495.9	554.2	691.0	558.9	16.4%
Average price of properties per sq.m. (RMB)	2,112.0	2,170.0	2,250.0	2,359.0	2,778.0	3,168.0	3,367.0	3,864.0	N/A ⁽¹⁾	9.0% ⁽²⁾
Average price of residential properties per sq.m. (RMB).	1,948.0	2,017.0	2,092.0	2,197.0	2,608.0	2,937.0	3,119.0	3,645.0	N/A ⁽¹⁾	9.4% ⁽²⁾

Source: China Statistical Yearbook 2007 and 2008, National Bureau of Statistics of the PRC, and 2007 and 2008 China National Economy and Social Development Statistical Communique

Notes:

(1) The figure is not yet available.

(2) The CAGR between 2000 and 2007.

Prices for real estate in China also increased from 2000 to 2008. According to the National Bureau of Statistics of the PRC, the average price per sq.m. for the overall property market, including both commercial (which includes retail, office and hotel properties) and residential properties, increased from RMB2,112 per sq.m. in 2000 to RMB3,864 per sq.m. in 2007, representing a CAGR of 9.0%.

Property Revenue

The upward trend in the China property industry is evidenced by the growth of the revenue from the sale of properties in the PRC. According to the China Statistical Yearbook 2007, the total revenue from commodity property sales in the PRC grew from approximately RMB393.5 billion in 2000 to approximately RMB2,082.6 billion in 2006. Total GFA sold in the PRC increased from approximately 186.4 million sq.m. in 2000 to approximately 620.9 million sq.m. in 2008.

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THE REAL ESTATE MARKET IN GUANGDONG PROVINCE

Guangdong Province is located in the southern region of China. It occupies a total area of approximately 180,000 square kilometers. In 2008, Guangdong Province had a population of approximately 95 million. The real GDP growth rate of Guangdong Province exceeded the national growth rate in each of the past ten years and the per capita GDP of Guangdong Province was significantly higher than the national average. The table below sets out selected economic statistics for Guangdong Province for the periods indicated.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	1,074.1	1,203.9	1,350.24	1,584.5	1,886.5	2,236.7	2,620.4	3,067.4	3,569.7
GDP growth rate (%)	11.5	10.5	12.4	14.8	14.8	13.8	14.6	14.5	10.1
Per capita GDP (RMB).	12,736	13,852	15,365	17,798	20,876	24,438	28,332	32,723	37,588
Per capita disposable income for urban households (RMB).	9,762	10,415	11,137	12,380	13,628	14,970	16,016	17,699	19,733

Source: Guangdong Statistical Yearbook 2007 and 2008, and 2007 and 2008 Guangdong Province National Economy and Social Development Statistical Communique

According to 2008 Guangdong Province National Economy and Social Development Statistical Communique, properties with a total GFA of 43.6 million sq.m. were completed in Guangdong Province in 2008, of which 34.8 million sq.m. was residential property. A total of 48.2 million sq.m. of commodity property was sold, of which 43.8 million sq.m. was residential property.

The Real Estate Market in Shenzhen

Shenzhen is the first special economic zone in China. It occupies a total area of approximately 1,953 square kilometers and had a population of approximately 8.6 million as of December 31, 2008. Shenzhen’s GDP reached approximately RMB780.7 billion in 2008. In 2008, Shenzhen’s per capita GDP was RMB89,814. The table below sets out selected economic statistics for Shenzhen for the periods indicated.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	218.7	248.2	297.0	258.6	428.2	495.1	581.4	676.5	780.7
GDP growth rate (%)	15.7	14.3	15.8	19.2	19.2	15.0	16.6	14.7	12.1
Per capita GDP (RMB).	32,800	34,822	40,369	47,029	54,236	60,801	69,450	79,221	89,814
Per capita disposable income for urban households (RMB).	20,906	22,760	24,941	25,936	27,596	21,494	22,567	24,871	26,729

Source: Guangdong Statistical Yearbook 2007 and 2008, and 2007 and 2008 Shenzhen National Economy and Social Development Statistical Communique

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The Real Estate Market in Guangzhou

Guangzhou is situated at the southern part of the Pearl River Delta region and is the provincial capital of Guangdong Province. It occupies a total area of approximately 7,434 square kilometers and had a population of approximately 10.2 million as of December 31, 2008. From 2007 to 2008, the population of Guangzhou has increased by 136,200, representing an increase of approximately 1.4%. In 2005, Guangzhou was the third largest city in China in terms of GDP. In 2008, Guangzhou’s nominal GDP reached approximately RMB821.6 billion, while real GDP grew approximately 12.3% over 2008.

The table below sets forth certain information of selected economic statistics of Guangzhou for the years indicated:

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	249.3	284.2	320.4	375.9	445.1	515.4	607.3	705.1	821.6
GDP growth rate (%)	13.4	12.7	13.2	15.2	15.0	12.9	14.8	14.5	12.3
Per capita GDP (RMB).	25,626	28,537	32,339	38,398	45,906	53,809	63,100	71,808	N/A ⁽¹⁾
Per capita disposable income for urban households (RMB).	13,967	14,694	13,380	15,003	16,884	18,287	19,851	22,469	25,317

Source: *Guangzhou Statistical Yearbook 2006, Guangzhou Statistical Yearbook 2007, and 2007 Guangzhou National Economy and Social Development Statistical Communique*

Note:

(1) The figure is not yet available.

In line with the growth in the economy and population of Guangzhou, housing demand in Guangzhou experienced an upward trend in recent years. According to the Guangdong Province Bureau of Statistics, total property investments in Guangzhou (including residential and non-residential properties) amounted to approximately RMB70.4 billion in 2007 and total residential property investments in Guangzhou amounted to approximately RMB41.3 billion in 2007, representing an increase of approximately 27.1% as compared to approximately RMB32.5 billion in 2000.

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According to the Guangdong Province Bureau of Statistics, the total GFA of completed residential properties in 2006 in Guangzhou was approximately 7.7 million sq.m. In 2006, total residential GFA sold in Guangzhou amounted to approximately 11.6 million sq.m., representing an increase of approximately 2.7% over 2006. The average selling price per sq.m. of residential properties in Guangzhou in 2006 was approximately RMB6,129, representing an increase of approximately 21.6% from 2005. The table below sets out key statistics relating to the real estate market in Guangzhou for the periods indicated.

	2000	2001	2002	2003	2004	2005	2006	2007
GFA completed (sq.m. in millions)	7.0	6.7	8.7	9.0	8.0	8.0	7.7	N/A ⁽¹⁾
GFA sold (sq.m. in millions).	5.1	5.1	11.0	12.3	12.7	11.3	11.6	N/A ⁽¹⁾
Average price of residential properties (RMB/sq.m.)	3,980	N/A	3,943	3,967	4,438	5,041	6,129	N/A ⁽¹⁾
Revenue (RMB in billions).	20.2	23.8	41.8	48.8	56.2	57.0	71.1	N/A ⁽¹⁾

Source: Guangdong Statistical Yearbook 2007, Guangzhou Statistical Yearbook 2001 to 2006.

Note:

(1) The figure is not yet available.

The Real Estate Market in Huizhou

Huizhou is located in the southeastern region of Guangdong Province. It occupies a total area of approximately 11,158 square kilometers and had a population of approximately 3.9 million as of December 31, 2008. Huizhou’s GDP reached approximately RMB129.0 billion in 2008, representing a per capita GDP of approximately RMB33,077. The table below sets out the selected statistics of Huizhou for the periods indicated.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	43.9	47.9	52.7	58.6	66.6	90.3	93.3	110.5	129.0
GDP growth rate (%)	11.3	9.5	10.7	12.2	15.1	15.8	16.3	17.4	11.5
Per capita GDP (RMB).	13,877	14,590	15,529	16,860	19,189	21,896	24,996	28,945	33,077
Per capita disposable income for urban households (RMB).	9,825	10,014	10,691	12,673	13,822	14,884	15,991	17,310	19,481

Source: Huizhou Statistical Yearbook 2005, 2006 Huizhou National Economy and Social Development Statistical Communique, and 2007 and 2008 Huizhou National Economy and Social Development Statistical Communique

INDUSTRY OVERVIEW

According to the Huizhou Municipal Bureau of Statistics, a total residential GFA of approximately 3.0 million sq.m. was sold in Huizhou in 2008, which represented an approximately 24.2% decrease from 2007. The average selling price experienced an increase of approximately 38.5% from RMB2,976 per sq.m. in 2006 to RMB4,121 per sq.m. in 2008. Sales value rose more than 157.6%, from approximately RMB2.9 billion in 2005 to approximately RMB7.6 billion in 2006.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
GFA completed (sq.m.)	494,905	434,725	678,958	865,313	773,041	1,100,985	1,730,154	2,131,000	2,428,000
GFA sold (sq.m.)	456,977	419,529	529,864	818,804	912,597	1,320,973	2,547,081	3,906,000	2,959,000
Average price of residential properties (RMB/sq.m.) . .	1,659	1,683	1,992	1,836	2,076	2,227	2,976	3,998	4,121
Revenue (RMB in millions) .	758	706	1,055	1,504	1,894	2,942	7,580	N/A ⁽¹⁾	N/A ⁽¹⁾

Source: *Huizhou Statistical Yearbook 2001 to 2006, and Huizhou National Economy and Social Development Statistical Communique 2007 and 2008*

Note:

(1) The figure is not yet available.

The Real Estate Market in Dongguan

Dongguan is located in the mid-eastern region of Guangdong Province. It occupies a total area of approximately 2,465 square kilometers and had a population of approximately 1.7 million as of December 31, 2008. Dongguan’s GDP reached approximately RMB370.3 billion in 2008, representing a per capita GDP of approximately RMB53,285. The table below sets out selected economic statistics for Dongguan for the periods indicated.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	82.0	99.2	118.7	145.3	180.6	218.2	262.7	315.1	370.3
GDP growth rate (%)	19.7	19.9	20.5	20.5	21.0	19.4	19.2	18.1	14.0
Per capita GDP (RMB).	13,679	15,268	18,131	22,174	27,554	33,263	39,468	46,014	53,285
Per capita disposable income for urban households (RMB).	14,142	16,938	16,949	18,471	20,526	22,882	25,320	27,025	30,275

Source: *Guangdong Statistical Yearbook 2007, Dongguan Statistical Yearbook 2001 to 2006, and Dongguan National Economy and Social Development Statistical Communique 2007 and 2008*

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According to 2007 Dongguan National Economy and Social Development Statistical Communique, a total residential GFA of approximately 5.1 million sq.m. was sold in Dongguan in 2008, which represented an approximately 5.6% decrease from 2007. Sales value decreased 2.3% from RMB27.4 billion in 2007 to approximately RMB26.7 billion in 2008.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
GFA completed (sq.m. in million)	0.8	1.0	1.2	2.2	1.5	1.2	1.1	1.4	1.0
GFA sold (sq.m. in millions).	0.5	0.7	0.8	1.4	1.4	3.0	3.5	5.4	5.1
Average price of residential properties (RMB/sq.m.) . .	2,215	2,512	2,906	3,341	3,297	N/A	4,137	5,068	5,241
Revenue (RMB in millions) .	1,130	1,777	2,407	4,741	4,695	N/A	14,604	27,367	26,731

Source: *Dongguan Statistical Yearbook 2001, 2002, 2004, 2006, and 2006, 2007 and 2008 Dongguan National Economy and Social Development Statistical Communique*

The Real Estate Market in Zhuhai

Zhuhai is one of the special economic zones in Guangdong Province. It occupies a total area of approximately 1,687.8 square kilometers and had a population of approximately 1.5 million as of December 31, 2008. Zhuhai’s GDP reached approximately RMB99.2 billion in 2008, representing a per capita GDP of approximately RMB67,591. The table below sets out selected economic statistics for Zhuhai for the periods indicated.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	33.1	36.8	40.9	47.7	55.2	63.5	74.7	88.7	99.2
GDP growth rate (%)	12.0	12.1	12.4	17.5	14.2	13.4	16.4	16.5	9.0
Per capita GDP (RMB).	27,693	29,222	31,457	35,781	40,311	45,284	52,185	61,071	67,591
Per capita disposable income for urban households (RMB).	15,110	15,879	15,320	16,602	18,347	18,908	17,671	19,290	20,949

Source: *Zhuhai Statistical Yearbook 2007, and 2007 and 2008 Zhuhai National Economy and Social Development Statistical Communique*

According to the Zhuhai National Economy and Social Development Statistical Communique 2008, a total residential GFA of approximately 1.7 million sq.m. was sold in Zhuhai in 2008 or sales volume of RMB12.2 billion.

INDUSTRY OVERVIEW

THE REAL ESTATE MARKET IN SICHUAN PROVINCE

The Real Estate Market in Chengdu

Chengdu is the capital of Sichuan Province, located in the Chengdu-Chongqing region. It occupies a total area of approximately 12,390 square kilometers and had a population of approximately 11.3 million as of December 31, 2008. Chengdu’s real GDP grew 12.1% over 2008, reaching RMB390.1 billion. Chengdu’s annual disposable income per capita grew at an average annual growth rate of 10.0% between 2000 to 2008.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	115.7	132.2	148.9	170.5	203.1	237.1	275.0	332.4	390.1
Real GDP growth rate (%) . .	N/A ⁽¹⁾	12.8	13.1	13.0	13.6	13.5	13.8	15.3	12.1
Per capita GDP (RMB).	11,471	13,004	14,536	16,454	19,304	22,139	25,171	26,527	30,855

Source: *Chengdu Statistical Yearbook 2007, and 2007 and 2008 Chengdu National Economy and Social Development Statistical Communique*

Note:

(1) The figure is not available.

According to 2008 Chengdu National Economy and Social Development Statistical Communique, a total residential GFA of approximately 12.7 million sq.m. was sold in Chengdu in 2008, which represented a 43.2% decrease from 2007. The average selling price of residential properties experienced an approximately 160.9% increase from approximately RMB1,608 per sq.m. in 2000 to approximately RMB4,195 per sq.m. in 2007. Sales value of residential properties rose 880% from approximately RMB6.4 billion in 2000 to approximately RMB62.7 billion in 2008, representing a CAGR 33.0%.

THE REAL ESTATE MARKET IN HUNAN PROVINCE

The Real Estate Market in Changsha

Changsha is the provincial capital of Hunan Province, located in the Central China region. In 2008, Changsha had a population of approximately 6.6 million. Changsha’s GDP reached approximately RMB300.1 billion in 2008, representing a per capita GDP of approximately RMB45,765.

The table below sets out selected economic statistics for Changsha for the years indicated.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	65.6	72.8	81.3	92.8	110.9	152.0	179.1	219.0	300.1
GDP growth rate (%)	11.3	12.1	12.7	14.0	14.8	14.9	14.8	16.0	15.1
Per capita GDP (RMB).	11,262	12,436	13,747	15,506	18,296	23,968	27,982	33,711	45,765
Per capita disposable income for urban households (RMB).	7,985	8,704	9,021	9,933	11,021	12,434	13,924	16,153	18,282

Source: *2000 to 2008 Changsha National Economy and Social Development Statistical Communique*

INDUSTRY OVERVIEW

According to 2007 Changsha National Economy and Social Development Statistical Communique, properties with a total GFA of approximately 30.5 million sq.m. were completed in Changsha in 2007, representing an increase of approximately 8.3% over 2006. A total of approximately 8.2 million sq.m. of commodity property was sold in 2008.

THE REAL ESTATE MARKET IN SHANGHAI

Shanghai is located in the eastern part of China. It occupies a total area of approximately 6,341 square kilometers. In 2008, Shanghai had a population of approximately 18.9 million. The table below sets out selected economic statistics for Shanghai for the periods indicated.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	477	521	574	669	807	916	1,037	1,200	1,370
GDP growth rate (%)	11.0	10.5	11.3	12.3	14.2	11.1	12.0	13.3	9.7
Per capita GDP (RMB).	36,217	39,340	43,143	50,032	59,928	67,565	75,990	N/A ⁽¹⁾	N/A ⁽¹⁾
Per capita disposal income for urban households (RMB) .	11,718	12,883	13,250	14,867	16,683	18,645	20,668	23,623	26,675

Source: Shanghai Statistical Yearbook 2007, and 2007 and 2008 Shanghai National Economy and Social Development Statistical Communique

Note:

(1) The figure is not yet available.

According to 2008 Shanghai National Economy and Social Development Statistical Communique, properties with a total GFA of 38.3 million sq.m. were completed in Shanghai in 2008. A total of 22.96 million sq.m. of commodity property was sold, of which 19.7 million sq.m. was residential property. The total sales revenue amounted to approximately RMB189.5 billion, of which approximately RMB161 billion was from the sales of residential properties. The average price per sq.m. of commodity and residential properties in Shanghai in 2007 was RMB2,522 and RMB2,301, respectively.

THE REAL ESTATE MARKET IN SHENYANG

Shenyang is located in Liaoning Province in the north-eastern part of China. It has an area of approximately 12,980 square kilometers. In 2007, Shenyang had a population of approximately 7.1 million. The table below sets out selected economic statistics for Shenyang for the periods indicated.

	2000	2001	2002	2003	2004	2005	2006	2007
Nominal GDP (RMB in billions)	107	117	133	150	177	208	252	307
GDP growth rate (%)	10.3	10.1	13.1	14.2	15.5	16.0	16.7	17.7
Per capita GDP (RMB).	15,666	17,992	19,242	21,798	25,640	29,935	35,940	43,499
Per capita disposal income for urban households (RMB) . . .	5,850	6,386	7,050	7,961	8,924	10,098	11,651	14,616

Source: Shenyang Statistical Yearbook 2003, Shenyang Statistical Yearbook 2005, Shenyang Statistical Yearbook 2006, and 2007 Shenyang National Economy and Social Development Statistical Communique

INDUSTRY OVERVIEW

According to 2007 Shenyang National Economy and Social Development Statistical Communique, properties with a total GFA of 12.9 million sq.m. were completed in Shenyang in 2007. A total of 14.6 million sq.m. of commodity property was sold, of which 13.6 million sq.m. was residential property. The total sales revenue amounted to approximately RMB53.9 billion, of which approximately RMB47.9 billion was from the sales of residential properties. The average price per sq.m. of commodity and residential properties in Shenyang in 2007 was RMB3,689 and RMB3,525, respectively.

COMPETITION AND STRENGTHS

We believe that the property markets in the Pearl River Delta region are highly fragmented. For more information on competition, see the section entitled “Business — Competition” in this document. We believe that we have certain competitive strengths notwithstanding the competition with the other PRC real estate property developers. For more information on our competitive strengths, see the section entitled “Business — Our Competitive Strengths” in this document.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

Our Group was founded by the Kwok Family. Our origin can be traced from Shenzhen Kaisa Property, which was established in June 1999, to engage in residential property development in Shenzhen. Woodland Height was our first residential property development project which was financed by family funds of the Kwok Family and bank loan. Woodland Height has an aggregate site area of approximately 160,514 sq.m. and a total GFA of approximately 580,135 sq.m. Its first phase was made available for sale to the public in September 2000. Mocha Town was our second residential property development project. Mocha Town is an integrated residential complex with an aggregate site area of approximately 185,724 sq.m. and a total GFA of approximately 775,299 sq.m. Its first phase was open to the public for sale in June 2004. In November 2005, we also began to develop a distressed property, Shenzhen Kaisa Center, our first residential-commercial integrated development. Shenzhen Kaisa Center was completed in August 2006.

In addition to the development of our business in Shenzhen since 2000, we have expanded to other parts of the PRC. We established Dongguan Kaisa Property in September 2004, Chengdu Kaisa Property in July 2006, Zhuhai Zhanda and Huizhou Kaisa Property in January 2007, Sichuan Kaisa Zhiye in May 2007 and Hunan Kaisa Property in August 2007 for project developments in the Dongguan, Guangzhou, Chengdu, Zhuhai, Huizhou, Sichuan and Hunan markets respectively. Furthermore, we completed the acquisition of Shanghai Xinwan in January 2008, Jiangyin Taichang in February 2008, Huizhou Huasheng in April 2008, Huizhou Jinhui Entertainment Park in May 2008, Huizhou Jinhui Resort Village in May 2008 and Shenzhen Jinshawan in May 2009.

For the purpose of expanding our property development projects in the PRC, during the period between December 2005 and September 2009, we also acquired controlling equity interests from independent third parties in thirteen project companies which own interests in the relevant thirteen projects, namely Guangzhou Jinmao, Xiangrui Garden, Jincheng Heights, Huizhou Kaisa Center, Nan’Ao Kangbao, Shangpin Garden, Li Langlu, Lijing Harbor, Shuangliu, Fenglong Center, Jiangyin Lake View Place, Shanghai Shanhuwan Garden and Tonghu. For more information about these projects, please see the section entitled “Business — Description of Our Property Developments” in this document. Please also refer to the section headed “History, Reorganization and Group Structure — Reorganization — Acquisition of controlling interests in certain project companies” in this document for further acquisitions of these project companies.

As of September 30, 2009, we have developed, were developing or held for future development eleven projects in Shenzhen, four projects in Dongguan, three projects in Guangzhou, five projects in Huizhou, one project in Zhuhai, three projects in Chengdu, one project in Changsha, one project in Shanghai and two projects in Jiangyin. Our business has also expanded to include projects used or to be used as apartments, town houses, offices, hotels, retail stores and service apartments.

Our Group was centrally managed by Shenzhen Kaisa Property during the Track Record Period under a core management team (the “Core Management Team”) comprising (i) Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Sun Yuenan, each of whom participated in the management of our Group throughout the Track Record Period, and (ii) Mr. Han Zhenjie and Mr. Ye Jiansheng, who were recruited during the Track Record Period to supplement and enhance the Core Management Team in light of the expansion of the Group. For the relevant roles and responsibilities of each member of the

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Core Management Team, please refer to the section headed “Directors, senior management and employees” of this document. We have a formal schedule of matters specifically reserved to the Core Management Team and its delegated management. The Core Management Team is responsible for determining the overall strategy and approving the annual business plan of our operating subsidiaries and ensuring our business operations are properly planned, authorized, undertaken and monitored. The Core Management Team has delegated the operational responsibilities to the local executive management committee in Shenzhen, Zhuhai, Guangzhou, Dongguan, Chengdu, Shanghai, Jiangyin, Huizhou and Changsha. The operations of the operating subsidiaries in Beijing and Shenyang have not yet commenced and no local executive management committee was established in these two cities. These local executive management committees are responsible for implementing the decisions of the Core Management Team and running the day-to-day operation of the relevant cities in accordance with the direction of the Core Management Team. The directors or the legal representatives of the operating subsidiaries were nominated for undertaking non-executive roles such as complying with the required governmental filings and reporting requirements required under the PRC law and regulations. Other than (i) Mr. Sun Yuenan who is a director of Huidongxian Dongsheng, Huizhou Huasheng, Huizhou Jinhu Entertainment Park, Huizhou Jinhu Resort Village, Huizhou Kaisa Infrastructure, Huizhou Kaisa Road, Huizhou Kaisa Technology, Hunan Kaisa Property, Hunan Kaisa Zhiye, Shenzhen Wanyuhua and Huizhou Kaisa Tangquan; (ii) Kwok Ying Chi who is a director of Fenglong Group and (iii) Mr. Lu Yuehui who is a director of Huidongxian Dongsheng, Huizhou Kaisa Road, Huizhou Kaisa Infrastructure, Huizhou Kaisa Technology, Fenglong Group, Huizhou Kaisa Tangquan, Huizhou Huasheng, Huizhou Jinhu Entertainment Park, Huizhou Jinhu Resort Village, Huidongxian Kaisa, Huizhou Canrong, Huizhou Jinhu, Huizhou Kaisa Property, Huizhou Weitong, Boluo Kaisa Property and Boluo Kaisa Zhiye, the directors or the legal representatives were not appointed to run the daily operation of the relevant operating subsidiaries. The day-to-day operation is run by the local executive management committee in the relevant cities. All relevant matters relating to the operating subsidiaries are to be reported to the Core Management Team whose decisions on material matters relating to the operating subsidiaries would prevail. The board of directors and the local executive management committees of our operating subsidiaries in the various cities are in essence acting in accordance with the instructions of Mr. Kwok Ying Shing and Mr. Kwok Ying Chi through their ultimate decision-making power over other members of the Core Management Team, such that they collectively possess absolute control of each individual board of directors of our operating subsidiaries and the executive management committees in the various cities.

The following are important milestones in the history of our corporate and operational development to date:

- 1999 ● Shenzhen Kaisa Property was founded in Shenzhen.
- 2000 ● The first phase of Woodland Height was made available for sale to the public.
- 2001 ● Our Woodland Height was recognized as one of the Top 10 Star Buildings in Shenzhen by 深圳特區報業集團 (Shenzhen Special Economic Zone Newspaper Group).
- 2002 ● We were named as one of the Top 10 Enterprises in the Real Estate Industry in Shenzhen by 深圳企業評價協會 (the Shenzhen Enterprises Evaluation Association) based on factors such as reputation, development potential and brand recognition.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

- 2004
- We commenced the development of Mocha Town.
 - We were recognized as one of the Top 50 City Operators in the PRC by 中國城市土地運營博覽會組委會 (the China Urban Land Management Exposition Committee) based on an evaluation by a number of newspaper organizations including 廣州日報 (Guangzhou Daily), 深圳特區報 (Shenzhen Special Economic Zone News), and 北京青年報 (Beijing Youth Daily).
 - The first phase of Mocha Town was made available for sale to the public.
 - Our Mocha Town development received the 2004 Gold Award for Architecture and Design.
 - Dongguan Kaisa Property was established for project development in Dongguan.
- 2005
- We re-developed and renovated a distressed property now known as Shenzhen Kaisa Center, our first residential-commercial integrated development, which was completed in August 2006.
 - We also renovated Guangzhou Jinmao (廣州金貿項目), a distressed and partially completed property in Guangzhou.
 - We were ranked among “Top 10 Local Valuable Real Estate Brands” by the China Real Estate Top 10 Research Team with reference to factors such as competitiveness, development potential, value of brand name and reputation.
- 2006
- We expanded our business to Sichuan Province by establishing Chengdu Kaisa Property for a development project in Chengdu.
 - We were ranked among the “Top 10 Valuable Real Estate Brands” in southern China by the China Real Estate Top 10 Research Team with reference to factors such as competitiveness, development potential, value of brand name and reputation.
- 2007
- We expanded our business to Zhuhai, Huizhou and Hunan by establishing Zhuhai Zhanda, Huizhou Kaisa Property and Hunan Kaisa Property for development projects in each respective location development.
 - We were ranked one of the top ten real estate developers in the Shenzhen Real Estate Industry Credibility Bulletin Board System, a governmental website hosted by the Shenzhen Municipal Bureau of Land Resources and Housing Management.
 - Our Company was incorporated to act as the holding company of all the equity interests of our Group after the corporate restructuring pursuant to the Reorganization.
 - Our Company issued the Warrants to the Lenders and the Loan Investors and issued new Shares to the Investor Shareholders, details of which are set out in the paragraph headed “Strategic Investments” of this section.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

- 2008
- We were ranked among the “Top 10 Valuable Real Estate Brands” in southern China by the China Real Estate Top 10 Research Team with reference to factors such as competitiveness, development potential, value of brand name and reputation.
 - We were honored as one of the “Top 10 Developers in terms of Operating Efficiency” among the “2008 China Top 100 Real Estate Developers” by the China Real Estate Association, Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy.
 - We have expanded into other areas in China, including Shanghai and Jiangyin, both in the Yangtze River Delta region.
- 2009
- We were ranked among the “Top 10 Valuable Real Estate Brands” in southern China by the China Real Estate Top 10 Research Team with reference to factors such as competitiveness, development potential, value of brand name and reputation.
 - We completed a portion of Jiangyin Lake View Place Phase 1 in April 2009 and the remaining portion in July 2009.
 - We were honoured as one of the “Top 10 Developers in terms of Operating Efficiency” among the “2009 China Top 100 Real Estate Developers” by the China Real Estate Association, Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy.

REORGANIZATION

We underwent the Reorganization. As part of the Reorganization, our Company was incorporated on August 2, 2007 in the Cayman Islands to be the ultimate holding company for all of our Group’s operating and project subsidiaries which are principally engaged in residential property development, commercial property development and property management.

As part of the Reorganization, we incorporated the following entities:

- Intermediate Holding Company — Rui Jing;
- Business Holding Companies — Jie Feng, Heng Chang, Guang Feng and Ye Chang; and
- Project Holding Companies — Chang Ye, Rong Hui, Yuan Yuan, Da Hua, Tai He Xiang, Zheng Zhong Tian, Dong Chang, Jin Chang, Dong Sheng and Xie Mao.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The Reorganization consisted of the following principal steps:

Establishment of the Business Holding Companies to acquire and hold equity interests in the Project Holding Companies

The Business Holding Companies were incorporated in order to act as intermediate holding companies for the business divisions of our Group. Jie Feng is one of the Business Holding Companies for our Group’s residential property development division. Heng Chang is one of the Business Holding Companies for our Group’s re-development division. Guang Feng is one of the Business Holding Companies for our Group’s commercial property development division and construction division. Ye Chang is one of the Business Holding Companies for our Group’s property management division. Collectively, the Business Holding Companies hold all of the equity interests of all our Group’s Project Holding Companies.

Establishment and acquisitions of the Project Holding Companies

The Project Holding Companies were incorporated to acquire and hold equity interests in our PRC subsidiaries in our Group. Since August 16, 2007, we acquired the following entities:

- the entire issued share capital of each of Chang Ye, Rong Hui, Yuan Yuan and Da Hua has been held by Jie Feng, one of the Business Holding Companies for our Group’s residential property development division;
- the entire issued share capital of each of Tai He Xiang and Zheng Zhong Tian has been held by Heng Chang, one of the Business Holding Companies for our Group’s re-development division;
- the entire issued share capital of each of Dong Chang and Dong Sheng has been held by Guang Feng, one of the Business Holding Companies for our Group’s commercial property development division; and
- the entire issued share capital of Xie Mao has been held by Ye Chang, one of the Business Holding Companies for our Group’s property management division.

On October 24, 2007, the entire issued share capital of China Agriculture was transferred from China New World Holdings Limited to Jie Feng for a nominal consideration of US\$1.00. China New World Holdings Limited, a BVI company owned by Ms. Zhan Huihua, previously held the entire issued share capital of China Agriculture in trust for Mr. Kwok Ying Shing. China Agriculture is the holding company of Huidongxian Dongsheng.

On November 16, 2007, the entire issued share capital of Ace Start was transferred from Noble Shine, a company owned by Mr. Kwok Ying Shing and Mr. Kwok Chun Wai, to Jie Feng for a nominal consideration of US\$1.00. Ace Start is the investment holding company of Onfair Asia, which is an investment holding company holding 30% equity interest in Sichuan Tianzi.

On November [●], 2009, the entire issued share capital of Jin Chang was transferred from Guang Feng to Jie Feng in consideration of an intercompany loan from Jie Feng to Guang Feng, credited as fully paid at premium, to Rui Jing.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Establishment of the Intermediate Holding Company to acquire and hold equity interests in the Business Holding Companies

The Intermediate Holding Company was incorporated in order to acquire and hold all of the equity interests in the Business Holding Companies. Upon its incorporation, Da Chang (a company which was wholly owned by Mr. Kwok Chun Wai), Da Feng (a company which was wholly owned by Mr. Kwok Ying Shing) and Da Zheng (a company which was wholly owned by Mr. Kwok Ying Chi) held 33%, 34% and 33% of the issued share capital of the Intermediate Holding Company respectively. Since August 16, 2007, the entire issued share capital of each of the Business Holding Companies has been held by the Intermediate Holding Company.

Incorporation of new Hong Kong companies

Yong Rui Xiang were incorporated in Hong Kong to hold equity interests in Shenzhen Wanyuchang,. Yi Qing was incorporated in Hong Kong to acquire the entire equity interests in Huizhou Weitong and Huizhou Canrong, details of the acquisition are set out in the sub-paragraph headed “Transactions relating to the Project Companies — Acquisition of controlling interests in certain Project Companies during the Track Record Period.” in this document. China Manfort and Zhan Zhang were incorporated in Hong Kong and currently do not hold any project company.

Transactions relating to the Project Companies

In preparation for the Reorganization, the shareholding structure of our Group’s project companies was reconfigured. The following table shows the changes to the shareholding structure of certain of our Group’s project companies pursuant to the share transfer agreements undertaken in anticipation of the Reorganization.

Project Company	Prior to the Reorganization		After the Reorganization	
	Shareholders	Equity interest	Shareholders ^(Note 17)	Equity interest
<i>Hong Kong subsidiaries</i>				
Kaisa Holdings	Big Progress ^(Note 1) Growth Ahead ^(Note 1) Havewill Investments ^(Note 1)	33% 34% 33%	Chang Ye	100%
Regal Silver	Mr. Chen Geng Xian Mr. Liu Qiang ^(Note 2)	90% 10%	Rong Hui	100%
Kaisa Technology	Woodland Height ^(Note 3)	100%	Yuan Yuan	100%
Cornwell Holdings. . . .	Mr. Kwok Chun Wai Mr. Kwok Ying Shing	50% 50%	Da Hua	100%
Woodland Height	Empire Glory ^(Note 3) Year Up ^(Note 3)	67% 33%	Tai He Xiang	100%
Success Take	Mr. Kwok Ying Chi Clever Cosmos ^(Note 4)	1% 99%	Zheng Zhong Tian	100%
Leisure Land	Clever Cosmos ^(Note 4)	33%	Xie Mao	100%

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Project Company	Prior to the Reorganization		After the Reorganization	
	Shareholders	Equity interest	Shareholders ^(Note 17)	Equity interest
	Speed Prosper ^(Note 4)	34%		
	Year Up ^(Note 3)	33%		
<i>PRC subsidiaries</i>				
Shenzhen Kaisa Technology	Kaisa Technology Company ^(Note 5)	100%	Kaisa Technology	100%
Shenzhen Wanyuchang .	Kaisa Holdings ^(Note 1)	100%	Yong Rui Xiang	100%
Zhuhai Zhanda	Shenzhen Kaisa Property Mr. Guo Ying Long holding in trust for Shenzhen Kaisa Property ^(Note 6)	94% 6%	Shenzhen Kaisa Property	100%
Shenzhen Daye	Shenzhen Jililong ^(Note 7)	100%	Shenzhen Kaisa Property	100%
Guangzhou Jiasui	Guangzhou Xinhongrui ^(Note 8)	100%	Shenzhen Jililong	100%
Dongguan Kaisa Property	Shenzhen Kaisa Property Mr. Mai Weiliang holding in trust for Shenzhen Kaisa Property ^(Note 7)	90% 10%	Shenzhen Kaisa Property	100%
Dongguan Kaisa Property Management	Dongguan Kaisa Property ^(Note 9)	100%	Shenzhen Kaisa Property Management	100%
Shenzhen Zhaoruijing .	Mr. Guo Ying Long Mr. Guo Ying Guang both holding in trust for Shenzhen Kaisa Baihuo ^(Note 10)	90% 10%	Shenzhen Wanyuchang	100%
Guangzhou Jinmao Property	Beijing Jinmao Mr. Zhan Qiongmeng holding in trust for Beijing Jinmao ^(Note 11)	90% 10%	Beijing Jinmao	100%
Beijing Jinmao	Mr. Zhan Qiongmeng Ms. Pang Ailing both holding in trust for Shenzhen Cornwell ^(Note 12)	10% 90%	Shenzhen Cornwell	100%

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Project Company	Prior to the Reorganization		After the Reorganization	
	Shareholders	Equity interest	Shareholders ^(Note 17)	Equity interest
Guangzhou Jinmao Property Management	Guangzhou Jinmao Property ^(Note 11)	100%	Shenzhen Leisure Land	100%
Dongguan Yingsheng . .	Mr. Guo Ying Long Mr. Mai Weiliang both holding in trust for Dongguan Kaisa Property ^(Note 9)	90% 10%	Dongguan Kaisa Property	100%
Shenzhen Xingwoer . . .	Mr. Luo Han Dun Mr. Chen Geng Xian both holding in trust for Shenzhen Regal Silver ^(Note 13)	90% 10%	Shenzhen Regal Silver	100%
Shenzhen Taijian	Mr. Guo Tianlu holding in trust for Shenzhen Kaisa Baihuo ^(Note 10)	100%	Shenzhen Wanyuchang	100%
Guangdong Kaisa Property	Mr. Luo Han Dun Mr. Guo Ying Long both holding in trust for Shenzhen Kaisa Property ^(Note 14)	49% 51%	Shenzhen Kaisa Property	100%
Dongguan Yingtai	Mr. Zou De Lin Daohong both holding in trust for Shenzhen Kaisa Technology ^(Note 15)	60% 40%	Shenzhen Kaisa Technology	100%
Chengdu Nanxing	Mr. Zhan Qiongmeng Ms. Zhan Huihua both holding in trust for Chengdu Kaisa Property ^(Note 16)	90% 10%	Chengdu Kaisa Property	100%

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Notes:

1. *Kaisa Holdings was held as to 33% by Big Progress, as to 34% by Growth Ahead and as to 33% by Havewill Investment. Big Progress is wholly owned by Mr. Kwok Chun Wai. Growth Ahead is wholly owned by Mr. Kwok Ying Shing. Havewill Investments is wholly owned by Kwok Ying Chi.*
2. *Mr. Chen Geng Xian held 90% of the issued share capital of Regal Silver in trust on behalf of Mr. Kwok Chun Wai, Mr. Kwok Ying Shing and Mr. Kwok Ying Chi as to 33%, 34% and 33% of the issued share capital of Regal Silver respectively.*
3. *Woodland Height was held as to 67% by Empire Glory and as to 33% by Year Up immediately before the Reorganization. Empire Glory is owned as to 50% by Mr. Kwok Ying Shing and as to 50% by Mr. Kwok Ying Chi. Year Up is wholly owned by Mr. Kwok Chun Wai.*
4. *Clever Cosmos is wholly owned by Mr. Kwok Ying Chi. Speed Prosper is wholly owned by Mr. Kwok Ying Shing.*
5. *Kaisa Technology was wholly owned by Woodland Height and was therefore ultimately controlled by the Kwok Family immediately before the Reorganization.*
6. *Shenzhen Kaisa Property was wholly owned by Kaisa Holdings which were in turn ultimately owned by the Kwok Family immediately before the Reorganization. Please refer to Note 1 above.*
7. *Shenzhen Jililong was held as to 75% by Shenzhen Kaisa Property and as to 25% by Kaisa Holding and was therefore ultimately controlled by the Kwok Family immediately before the Reorganization.*
8. *Guangzhou Jiasui was wholly owned by Guangzhou Xinhongrui which was in turn wholly owned by Shenzhen Jililong. Guangzhou Jiasui was therefore ultimately controlled by the Kwok Family immediately before the Reorganization.*
9. *Dongguan Kaisa Property was beneficially owned by Shenzhen Kaisa Property which was ultimately controlled by the Kwok Family immediately before the Reorganization.*
10. *Shenzhen Kaisa Baihuo was wholly owned by Shenzhen Jililong. Shenzhen Jililong is held as to 75% by Shenzhen Kaisa property and as to 25% by Kaisa Holdings and was therefore ultimately controlled by the Kwok Family immediately before the Reorganization.*
11. *Guangzhou Jinmao Property was beneficially and wholly owned by Beijing Jinmao which was wholly owned by Shenzhen Cornwell and was therefore ultimately controlled by Mr. Kwok Chun Wai and Mr. Kwok Ying Chi immediately before the Reorganization.*
12. *Immediately before the Reorganization, Beijing Jinmao was held by Shenzhen Cornwell which in turn was wholly owned by Cornwell Holdings, Cornwell Holdings was held as to 50% by Mr. Kwok Chun Wai and as to 50% by Mr. Kwok Ying Chi.*
13. *Shenzhen Xingwoer was beneficially and wholly owned by Shenzhen Regal Silver which was wholly owned by Regal Silver and was therefore beneficially owned by the Kwok Family immediately before the Reorganization.*
14. *Guangdong Kaisa Property was beneficially and wholly owned by Shenzhen Kaisa Property which was therefore ultimately controlled by the Kwok Family immediately before the Reorganization.*
15. *Dongguan Yingtai was beneficially and wholly owned by Shenzhen Kaisa Technology which was ultimately controlled by the Kwok Family immediately before the Reorganization.*
16. *Chengdu Nanxing was wholly owned by Chengdu Kaisa Property which was in turn wholly owned by Shenzhen Kaisa Property.*

HISTORY, REORGANIZATION AND GROUP STRUCTURE

17. *Immediately after completion of the Reorganization, our Company became the ultimate holding company of our project companies. Our Company was ultimately held by Chang Yu which is held by [Good Health Investment Limited], a discretionary family trust, the beneficiaries of which include the Kwok Family and there was no change in the ultimate ownership of the above Project Companies.*

The shareholding structure of Shenzhen Kaisa Property, Shenzhen Kaisa Electronic, Shenzhen Cornwell, Shenzhen Regal Silver, Shenzhen Success Take, Shenzhen Woodland Height, Shenzhen Leisure Land, Chengdu Kaisa Property, Shenzhen Jililong, Sichuan Kaisa Zhiye, Huizhou Kaisa Property, Chengdu Kaisa Investment, Huizhou Kaisa Tangquan, Shenzhen Zhengchangtai remained unchanged before and after the Reorganization.

Boluo Kaisa Property, Boluo Kaisa Zhiye, Hunan Kaisa Zhiye, Shenyang Kaisa Property, Shenyang Woodland Height, Hunan Kaisa Property, Huidongxian Kaisa, Huizhou Jiabo, Huizhou Yingbo, Dongguan Yingyan, Chengdu Kaisa Property Management, Huizhou Kaisa Road, Huizhou Kaisa Infrastructure, Shanghai Kaisa Investment, Huizhou Kaisa Technology, Chengdu Zhaoruijing, Beijing Kaisa and Huizhou Zhaoruijing were newly established after the Reorganization.

Acquisition of controlling interests in certain project companies

During the Track Record Period, we acquired the following project companies for the purpose of real estate development of our Group:

<u>Project company</u>	<u>Interest held after the acquisition</u>	<u>Consideration (in RMB)</u>	<u>Acquisition date</u>
Shenzhen Xingwoer ^(Note 1)	100%	10,000,000	January 2006
Shenzhen Zhongwei ^(Note 2)	100%	12,130,000	August 2006
Fenglong Group ^(Note 3)	55%	10,000	March 2007
Shenzhen Jiachangxin Investment ^(Note 4)	100%	51,175,493	March 2007
Chengdu Nanxing ^(Note 5)	100%	20,000,000	May 2007
Huizhou Jinhu ^(Note 6)	100%	51,480,000	June 2007
Shenzhen Chuangzhan ^(Note 7)	100%	10,000,000	July 2007
Sichuan Tianzi ^(Note 8)	100%	10,000,000	July 2007
Huizhou Weitong ^(Note 9)	100%	109,200,000	December 2007
Huizhou Canrong ^(Note 10)	100%	31,878,000	December 2007
Jiangyin Taichang ^(Note 11)	100%	20,000,000	February 2008
Shanghai Xinwan ^(Note 12)	100%	41,611,069.14	January 2008

HISTORY, REORGANIZATION AND GROUP STRUCTURE

<u>Project company</u>	<u>Interest held after the acquisition</u>	<u>Consideration (in RMB)</u>	<u>Acquisition date</u>
Huizhou Jinhu Resort Village ^(Note 13) . .	100%	134,150,773.26	May 2008
Huizhou Jinhu Entertainment Park ^(Note 14)	100%	57,023,463.72	May 2008
Huizhou Huasheng ^(Note 15)	100%	36,734,695	April 2008
Shenzhen Jinshawan ^(Note 16)	100%	50,000,000	May 2009

The acquisitions of the above companies (the “Acquired Companies”) are essentially acquisitions of land and/or buildings but not acquisitions of businesses. The companies acquired during the Track Record Period made no substantial profit or loss contribution.

Notes:

- In January 2006, the entire registered capital of Shenzhen Xingwoer was acquired for consideration determined with reference to the registered capital of Shenzhen Xingwoer from independent third parties who were independent of and not connected with our Group and our connected persons. Shenzhen Xingwoer was beneficially and wholly owned by Shenzhen Regal Silver.*
- In August 2006, Shenzhen Kaisa Property acquired a 90% interest in Shenzhen Zhongwei for consideration determined with reference to the registered capital of Shenzhen Zhongwei from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of such acquisition, Shenzhen Zhongwei became a wholly owned subsidiary of our Group.*
- In March 2007, Shenzhen Jililong acquired a 55% interest in Fenglong Group as to 49% from an independent third party who was independent of and not connected with our Group and our connected persons, and a 6% interest in Fenglong Group from 飛達集團有限公司 (Fitter Holdings Limited), a substantial shareholder of Fenglong Group, for nominal consideration of RMB10,000 which was determined after arm’s length negotiation between the parties to such acquisition.*
- In March 2007, Shenzhen Cornwell acquired a 70% interest in Shenzhen Jiachangxin Investment for consideration determined after arms’ length negotiation between the parties to such acquisition from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Shenzhen Jiachangxin Investment became a wholly owned subsidiary of our Group.*
- In May 2007, Chengdu Kaisa Property acquired the entire equity interest in Chengdu Nanxing for consideration determined with reference to the registered capital of Chengdu Nanxing from independent third parties who were independent of and not connected with our Group and our connected persons. After completion of the acquisition, Chengdu Nanxing became a wholly owned subsidiary of our Group.*
- In June 2007, Huizhou Kaisa Property acquired the entire equity interest in Huizhou Jinhu for consideration of determined with reference to the registered capital of Huizhou Jinhu from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Huizhou Jinhu became a wholly owned subsidiary of our Group.*

HISTORY, REORGANIZATION AND GROUP STRUCTURE

7. *In July 2007, Shenzhen Kaisa Property acquired the entire equity interest in Shenzhen Chuangzhan for consideration determined with reference to the registered capital of Shenzhen Chuangzhan from independent third parties who were independent of and not connected with our Group and our connected persons. After completion of the acquisition, Shenzhen Chuangzhan became a wholly owned subsidiary of our Group.*
8. *In June 2007, Sichuan Kaisa Zhiye acquired a 40% interest in Sichuan Tianzi from an independent third party who was independent of and not connected with our Group and our connected persons. In July 2007, Onfair Asia acquired the remaining 60% interest in Sichuan Tianzi from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of these acquisitions, Sichuan Tianzi became a wholly owned subsidiary of our Group. The total consideration for the acquisition of Sichuan Tianzi was determined with reference to the registered capital of Sichuan Tianzi.*
9. *In December 2007, Yi Qing acquired the entire equity interest in Huizhou Weitong for consideration determined with reference to the registered capital of Huizhou Weitong from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Huizhou Weitong became a wholly owned subsidiary of our Group.*
10. *In December 2007, Yi Qing acquired the entire equity interest in Huizhou Canrong for consideration determined with reference to the registered capital of Huizhou Canrong, from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Huizhou Canrong became a wholly owned subsidiary of our Group.*
11. *In February 2008, Guangdong Kaisa Property acquired the entire equity interest in Jiangyin Taichang for consideration determined with reference to its balance sheet as of January 24, 2008 audited by independent PRC auditors from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Jiangyin Taichang became a wholly owned subsidiary of our Group.*
12. *In January 2008, Guangdong Kaisa Property acquired the entire equity interest in Shanghai Xinwan for consideration determined with reference to the balance sheet of Shanghai Xinwan as of October 31, 2007 adjusted by the fair value change of the land as appraised by a firm of qualified PRC valuers from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Shanghai Xinwan became a wholly owned subsidiary of our Group.*
13. *In May 2008, Yi Qing acquired a 64% interest in Huizhou Jinhu Entertainment Park from a company which is wholly owned by Mr. Chen Geng Xian who is a general manager of Shenzhen Kaisa Property after he acquired the same interest in April 2008. On the same day, Shenzhen Kaisa Electronic acquired a 36% interest in Huizhou Jinhu Entertainment Park from a company which is wholly owned by Mr. Zhan Qiongmíng (a director of each of Guangzhou Jinmao Property and Chengdu Nanxing until November 2007 and a brother-in-law of Mr. Kwok Ying Chi and is a connected person under Chapter 14A of the Listing Rules) after he acquired the same interest in April 2008. The consideration of the aforesaid acquisitions was arrived at after arm's length negotiation between the sellers and was financed by our internal resources. After completion of such acquisitions, Huizhou Jinhu Entertainment Park became a direct wholly owned subsidiary of our Group. The above arrangements were entered into for confidentiality reasons to facilitate negotiations with the independent counterparties to secure better terms for the acquisition. According to the advice of our PRC's legal adviser, there is no legal impediment to obtaining the real estate developer qualifications for the development project.*
14. *In May 2008, Yi Qing acquired a 64% interest in Huizhou Jinhu Resort Village from a company which is wholly owned by Mr. Chen Geng Xian who is a general manager of Shenzhen Kaisa Property. On the same day, Shenzhen Kaisa Electronic acquired a 36% interest in Huizhou Jinhu Resort Village from a company which is wholly owned by Mr. Zhan Qiongmíng (a director of each of Guangzhou Jinmao Property and Chengdu Nanxing until November 2007 and a brother-in-law of Mr. Kwok Ying Chi and is a connected person under Chapter 14A of the Listing Rules). The aggregate consideration of the aforesaid acquisitions was arrived at after arm's length negotiation between the sellers and was financed by our internal resources. After completion of such acquisitions, Huizhou Jinhu Resort Village became an direct wholly owned subsidiary of our Group. The above arrangements were entered into for confidentiality reasons to facilitate negotiations with the independent counterparties to secure better terms for the acquisition. According to the advice of our PRC's legal adviser, there is no legal impediment to obtaining the real estate developer qualifications for the development project.*

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15. *In April 2008, Huizhou Kaisa Property and Shenzhen Kaisa Property acquired 65% and 35% equity interest in Huizhou Huasheng respectively for consideration determined with reference to its balance sheet as of April 6, 2008 as audited by independent PRC auditors respectively, from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of such acquisition, Huizhou Huasheng became a wholly owned subsidiary of our Group.*
16. *In May 2009, Shenzhen Leisure Land acquired the entire equity interests in Shenzhen Jinshawan for consideration determined with references to the market valuation of the equity interest in Shenzhen Jinshawan at the time of the acquisition from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of such acquisition, Shenzhen Jinshawan became a wholly owned subsidiary of our Group.*

Trust arrangements involving our subsidiaries

During the Track Record Period, several trust arrangements have been entered into in respect of several of our subsidiaries, details of which are as follows:

- *Beijing Jinmao* — During the period between December 2005 and December 2007, the entire registered capital of Beijing Jinmao was held as to 90% by Ms. Peng Ailing and as to 10% by Mr. Zhan Qiongmeng, both in trust for Shenzhen Cornwell.
- *Chengdu Nanxing* — During the period between May 2007 and December 2007, the entire registered capital of Chengdu Nanxing was held as to 90% by Mr. Zhan Qiongmeng and as to 10% by Ms. Zhan Huihua, both in trust for Chengdu Kaisa Property.
- *China Agriculture* — During the period between October 2006 and October 2007, the issued share capital was held by China New World Holdings Limited in trust for Mr. Kwok Ying Shing.
- *Dongguan Kaisa Property* — During the period between September 2004 and September 2005, the entire registered capital of Dongguan Kaisa Property was held as to 90% by Shenzhen Kaisa Baihuo and as to 10% held by Mr. Guo Ying Long, both in trust for Shenzhen Kaisa Property. During the period between September 2005 and November 2005, registered capital in the amount of RMB2 million, then representing a 10% interest in Dongguan Kaisa Property, was held by Mr. Mai Weiliang in trust for Shenzhen Kaisa Property. During the period between November 2005 to July 2007, registered capital in the amount of RMB3.8 million, then representing a 10% interest in Dongguan Kaisa Property, was held by Mr. Mai Weiliang in trust for Shenzhen Kaisa Property.
- *Dongguan Yingsheng* — During the period between March 2006 and July 2006, registered capital in the amount of RMB800,000, then representing a 10% interest in Dongguan Yingsheng, was held by Mr. Mai Weiliang in trust for Dongguan Kaisa Property. During the period between July 2006 and September 2007, the entire registered capital was held as to 90% by Mr. Guo Ying Long and as to 10% by Mr. Mai Weiliang, both in trust for Dongguan Kaisa Property.
- *Dongguan Yingtai* — During the period between January 2007 and December 2007, the entire registered capital of Dongguan Yingtai was held as to 60% by Mr. Zou De and as to 40% by Mr. Lin Daohong, both in trust for Shenzhen Kaisa Technology.

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- *Guangdong Kaisa Property* — During the period between July 2007 and September 2007, the entire registered capital of Guangdong Kaisa Property was held as to 51% by Mr. Guo Ying Long and as to 49% by Mr. Luo Han Dun, both in trust for Shenzhen Kaisa Property.
- *Guangzhou Jinmao Property* — During the period between December 2005 and June 2006, registered capital in the amount of RMB1 million, then representing a 10% interest in Guangzhou Jinmao Property, was held by Chen Zhensheng in trust for Beijing Jinmao. During the period between June 2006 and December 2007, that 10% interest capital was held by Mr. Zhan Qiongmeng in trust for Beijing Jinmao.
- *Regal Silver* — During the period between December 2003 and August 2007, the entire issued share capital of Regal Silver was held as to 90% by Cheng Geng Xian in trust for Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Kwok Chun Wai as to 34%, 33% and 33% of the issued share capital of Regal Silver respectively.
- *Shenzhen Taijian* — During the period between July 2007 and December 2007, the entire registered capital of Shenzhen Taijian was held by Guo Tianlu in trust for Shenzhen Kaisa Baihuo. On December 18, 2007, the entire registered capital of Shenzhen Taijian was transferred to Shenzhen Wanyuchang.
- *Shenzhen Xingwoer* — During the period between January 2006 and February 2006, the entire registered capital of Shenzhen Xingwoer was held as to 90% by Mr. Guo Ying Long and as to 10% by Mr. Mai Weiliang both in trust for Shenzhen Regal Silver. During the period between February 2006 and December 2007, the entire registered capital was held as to 90% by Mr. Luo Han Dun and as to 10% by Mr. Chen Geng Xian, both in trust for Shenzhen Regal Silver.
- *Shenzhen Zhaoruijing* — During the period between July 2004 and December 2007, the entire registered capital of Shenzhen Zhaoruijing was held as to 90% by Mr. Guo Ying Long and as to 10% by Mr. Guo Ying Guang both in trust for Shenzhen Kaisa Baihuo. On December 14, 2007, the entire registered capital was transferred to Shenzhen Wanyuchang.
- *Shenzhen Jililong* — During the period between November 2004 and November 2005, registered capital in the amount of RMB1.2 million, then representing a 10% interest in Shenzhen Jililong, was held by Mr. Guo Ying Long in trust for Shenzhen Kaisa Property.
- *Zhuhai Zhanda* — During the period between January 2007 and November 2007, registered capital in the amount of RMB3 million, then representing a [6]% interest in Zhuhai Zhanda, was held by Mr. Guo Ying Long in trust for Shenzhen Kaisa Property.

The relationships among the trustees mentioned above and our Group and/or the Controlling Shareholders are set out as follows:

<u>Name of the trustees</u>	<u>Relationship with our Group and/or the Controlling Shareholders</u>
Mr. Guo Ying Guang	a cousin of the Kwok Family
Mr. Guo Ying Long	a cousin of the Kwok Family

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Name of the trustees	Relationship with our Group and/or the Controlling Shareholders
Mr. Liu Qiang (<i>Note</i>).	a consultant of our Group
Mr. Mai Weiliang	our employee
Mr. Luo Han Dun	a brother-in-law of Mr. Kwok Chun Wai
Mr. Chen Geng Xian	an executive Director
Ms. Peng Ailing	a spouse of Mr. Chen Geng Xian
Mr. Guo Tianlu.	our employee
Mr. Zhan Qiongmeng	a brother-in-law of Mr. Kwok Ying Chi and a director of each of Guangzhou Jinmao Property and Chengdu Nanxing until November 2007
Ms. Zhan Huihua	a spouse of Mr. Zhan Qiongmeng
Mr. Chen Zhensheng	an independent third party
Mr. Zou De	our employee
Mr. Lin Dao Hong.	our employee

Note: Mr. Liu Qiang was previously an executive Director. He resigned as executive Director and became a consultant of the Group in October 2008. He was previously responsible for general management and the daily operations of the Group prior to July 2007, and he was also responsible for the investment development of the Group after July 2007 up to the date of his resignation as an executive Director. Mr. Sun Yuenan has currently taken over the responsibilities of Mr. Liu Qiang. The arrangement was made due to reasons pertaining to Mr. Liu Qiang's health, and this arrangement has not affected the Group's business operations. Mr. Liu Qiang has resigned and will not continue to act as director of the Company's subsidiaries. As a consultant of our Group, Mr. Liu Qiang is responsible for providing consultancy services to and advising our Group on its investment business. Mr. Liu Qiang draws a fixed monthly salary and his remuneration as a consultant of our Group is based on his experience and our Group's assessment of his contribution to our Group.

The above trust arrangements were entered into for the following reasons:

- (1) to comply with the then-PRC Company Law requirement that a limited liability company established in the PRC have at least two shareholders (this requirement has been abolished); and/or
- (2) to keep the ownership of these subsidiaries confidential for commercial reasons at the beginning stage of the development of the relevant project and also for administrative convenience.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Pursuant to the terms of the declarations of trust, the relevant trustees confirmed that the equity interest held by them, together with the corresponding dividend rights, voting rights, and distributions of profit attributable to the corresponding equity interest, were held in trust for the relevant beneficiaries and that the trustees would exercise all such rights in accordance with the direction of the relevant beneficiaries. No reward or other form of benefit was provided to any of the trustees for entering into the trust arrangements.

As advised by our PRC legal advisers, each of the trust arrangements in relation to the equity interests in Beijing Jinmao, Chengdu Nanxing, Dongguan Kaisa Property, Dongguan Yingsheng, Dongguan Yingtai, Guangdong Kaisa Property, Guangzhou Jinmao Property, Shenzhen Jililong, Shenzhen Taijian, Shenzhen Xingwoer, Shenzhen Zhaoruijing and Zhuhai Zhanda was legal, valid and enforceable in accordance with its terms under the laws of the PRC.

Disposal of certain Project Companies and holding companies

In connection with the Reorganization, several PRC holding companies (the “PRC Disposed Companies”) were disposed of, as more fully set out in the following table:

PRC Disposed Companies	Prior to the Reorganization		After the Reorganization		Date of the disposal	Consideration (in RMB) (Note 2)
	Transferor	Equity interest	Transferee	Equity interest		
Jinmao International	Beijing Jinmao	90%	Independent third parties not connected with our Company and our subsidiaries	100%	June 4, 2007	100 million
	Mr. Zhan Qiongmeng holding in trust for Beijing Jinmao	10%				
Dongguan Yinglian	Dongguan Kaisa Property Zou De	90%	Mr. Lin Daohong	90%	July 10, 2007	9 million
		10%	Mr. Zou De both holding in trust for Mr. Kwok Chun Wai (Note 1)	10%		
Guangzhou Xinhongrui	Shenzhen Jililong	100%	Mr. Zhan Qiongmeng	60%	November 13, 2007	18 million
			Ms. Zhan Huihua both holding in trust for Mr. Kwok Chun Wai (Note 1)	40%		
Shenzhen Jiachangxin Property	Shenzhen Kaisa Property	100%	Mr. Zhan Qiongmeng	60%	December 20, 2007	24.48 million
			Ms. Zhan Huihua both holding in trust for Mr. Kwok Chun Wai (Note 1)	40%		
Shenzhen Kaisa Baihuo	Mr. Luo Han Dun holding in trust for Shenzhen Jililong	10%	Mr. Zhan Qiongmeng	10%	December 17, 2007	0.6 million
	Shenzhen Jililong	90%	Ms. Zhan Huihua both holding in trust for Mr. Kwok Chun Wai (Note 1)	90%		
Shenzhen Finance	Shenzhen Kaisa Property	55%	Independent third parties not connected with our Company and our subsidiaries	100%	July 7, 2008	8.25 million

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Notes:

1. *Mr. Zhan Qiongmeng, a director of each of Guangzhou Jinmao Property and Chengdu Nanxing until November 2007 and a brother-in-law of Mr. Kwok Ying Chi, is a connected person under Chapter 14A of the Listing Rules. Ms. Zhan Huihua, is the spouse of Mr. Zhan Qiongmeng, is also a connected person of the Company under Chapter 14A of the Listing Rules. Mr. Lin Daohong and Mr. Zou De are both independent of and not connected with our Company or our subsidiaries. Each of these transferees hold the interest in respective PRC Disposed Company in trust for Mr. Kwok Chun Wai who has beneficial interests in each of the respective PRC Disposed Companies. These trust arrangements were entered into for administrative convenience. The acquisitions of these companies by these transferees were financed by advances provided by Mr. Kwok Chun Wai.*
2. *Each of the PRC Disposed Companies was transferred for consideration which was arrived on arm's length basis with reference to its registered capital, and the consideration has been fully paid by the relevant transferee. Our Directors confirm that the aforesaid consideration was fair and reasonable as it represents fair value of the PRC Disposed Companies.*

The PRC Disposed Companies had no active business and made no substantial profit contribution to our Group during the Track Record Period. Accordingly, they were disposed of as part of the Reorganization. No contingent liability arose from the disposal of the PRC Disposed Companies. Each of the PRC Disposed Companies which is beneficially owned by Mr. Kwok Chun Wai has undertaken not to engage in any business that competes directly or indirectly with that of our Group.

In addition, on August 20, 2007, Kaisa Holdings disposed of the entire issued share capital of each of Beifang Investment, Eastern Asia, Sino South, South Place and Xinan Investment (the “BVI Disposed Companies”), each an investment holding company, to Friendship (China) (an investment holding company ultimately wholly controlled by the Kwok Family) for a nominal consideration of US\$1 (which was arrived at after arm's length negotiation between the parties on the basis of the share capital of the BVI Disposed Companies) as part of the Reorganization. These companies had no active business and made no profit contribution to the Group during the Track Record Period.

For the three years ended December 31, 2008 and the six months ended June 30, 2009, the aggregate profit/loss attributed to the PRC Disposed Companies and the BVI Disposed Companies is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	
Profit/(loss) attributed to the PRC Disposed Companies and the BVI Disposed Companies	[(211)]	[67]	[—]	[—]

Establishment of our Company to acquire and hold equity interests in our Group

On August 2, 2007, our Company was incorporated to act as the holding company for all the businesses and operations of our Group through the Intermediate Holding Company, which is a wholly-owned subsidiary of our Company. The initial authorized share capital of our Company was HK\$380,000 divided into 3,800,000 Shares. Upon its incorporation, our Company was wholly owned

HISTORY, REORGANIZATION AND GROUP STRUCTURE

by Mr. Kwok Chung Wai. On August 8, 2007, our Company became owned as to 33% by Da Chang (a company wholly owned by Mr. Kwok Chun Wai), as to 34% by Da Feng (a company wholly owned by Mr. Kwok Ying Shing) and as to 33% by Da Zheng (a company wholly owned by Mr. Kwok Ying Chi).

On August 16, 2007, our Company acquired the entire issued share capital of the Intermediate Holding Company from its existing shareholders, Da Chang, Da Feng and Da Zheng, which at the time of the acquisition held 33%, 34% and 33%, respectively, of the issued share capital of the Intermediate Holding Company. As consideration for the acquisition of the Intermediate Holding Company, our Company allotted and issued new Shares to Da Chang, Da Feng and Da Zheng so that our Company became owned as to 33% by Da Chang, as to 34% by Da Feng and as to 33% by Da Zheng.

Establishment of Chang Yu to acquire and hold the equity interests in Da Chang, Da Feng and Da Zheng

On October 31, 2007, Chang Yu was incorporated in the BVI to act as the holding company of Da Chang, Da Feng and Da Zheng. Upon its incorporation, Chang Yu was owned as to 33% by Mr. Kwok Chun Wai, as to 34% by Mr. Kwok Ying Shing and as to 33% by Mr. Kwok Ying Chi. On November 16, 2007, Chang Yu acquired the entire issued share capital of Da Chang, Da Feng and Da Zheng from Kwok Chun Wai, Kwok Ying Shing and Kwok Ying Chi. As a result, Chang Yu became owned as to 33% by Mr. Kwok Chun Wai, as to 34% by Mr. Kwok Ying Shing and as to 33% by Mr. Kwok Ying Chi.

Compliance with PRC laws and regulations

As advised by King & Wood, our PRC legal advisers, we and the Founding Shareholders have duly complied with all PRC laws, rules and regulations (including the Rules in relation to Foreign Acquisitions in the Mainland (關於外國投資者併購境內企業的規定) jointly issued by the MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE) in connection with the Reorganization and all relevant approvals from the PRC government authorities have been obtained in connection with the Reorganization. Because the Founding Shareholders are not PRC residents, the “Notice of SAFE on Issues relating to Foreign Exchange Control on Fund Raisings by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments” (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) promulgated on October 21, 2005 does not apply to the Company or the Founding Shareholders.

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Concert Party Agreement

As shown in the shareholding structure of our Group immediately prior to the Reorganization on page [●] of this document:

- The Kwok Family were interested in, and entitled to exercise the voting rights (whether direct or indirect) attaching to, the entire issued share capital of each of Kaisa Holdings, Woodland Height, Regal Silver and Leisure Land throughout the Track Record Period.
- The entire issued share capital of Cornwell Holdings was held by Mr. Kwok Chun Wai and Mr. Kwok Ying Chi throughout the Track Record Period.
- The entire issued share capital of Success Take was held ultimately by Mr. Kwok Ying Chi throughout the Track Record Period.
- The entire interest in Kaisa Technology Company was held by Mr. Kwok Chun Wai throughout the Track Record Period.
- Kaisa Holdings, Woodland Height, Regal Silver, Leisure Land, Cornwell Holdings, Success Take and Kaisa Technology Company (“Hong Kong Subsidiaries”) were the holding companies of our PRC subsidiaries.

As shown in the shareholding structure of our Group after completion of the Reorganization on page [120] of this document, the Company has become the ultimate holding company of our Group. The Kwok Family has been interested in and entitled to exercise voting control over the entire issued share capital of the Company. The Company, together with our Hong Kong Subsidiaries, are hereinafter referred to as the “Target Entities.”

Pursuant to an agreement (the “Concert Party Agreement”) dated April 28, 2008 and entered into among the Kwok Family, each of them agreed, confirmed and ratified, among other things, since he became interested in and possessed voting rights (whether direct or indirect) in the Target Entities, each of them has been actively cooperating with each other and acting in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action on all major affairs relating to the Target Entities and through their control in the Target Entities, our subsidiaries in the PRC. These major affairs include matters required to be approved by shareholders under the respective articles of association of the Target Entities, such as the declaration of dividends, the approval of annual budgets, the adoption of accounts and the appointment of auditors.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

In particular, pursuant to the Concert Party Agreement, the Kwok Family agreed, confirmed and ratified that, during the Track Record Period, among other things:

- (i) when exercising their respective voting rights at the shareholders’ meetings of the relevant Target Entities, they have voted, or procured any entities and trusts controlled by them which were entitled to vote at the shareholders’ meetings of the Target Entities (and our PRC subsidiaries through the Target Entities) to vote, as the case may be, unanimously in accordance with the consensus achieved among the Kwok Family; and
- (ii) prior to voting on any resolutions in shareholders’ meeting and board meeting of the Target Entities, each member of the Kwok Family would discuss the relevant matters with one another with a view to reaching consensus and an unanimous vote; and decisions based on the consensus achieved in the shareholders’ meetings and/or board meetings of the Target Entities will not be challenged by the members of the Kwok Family for any reason.

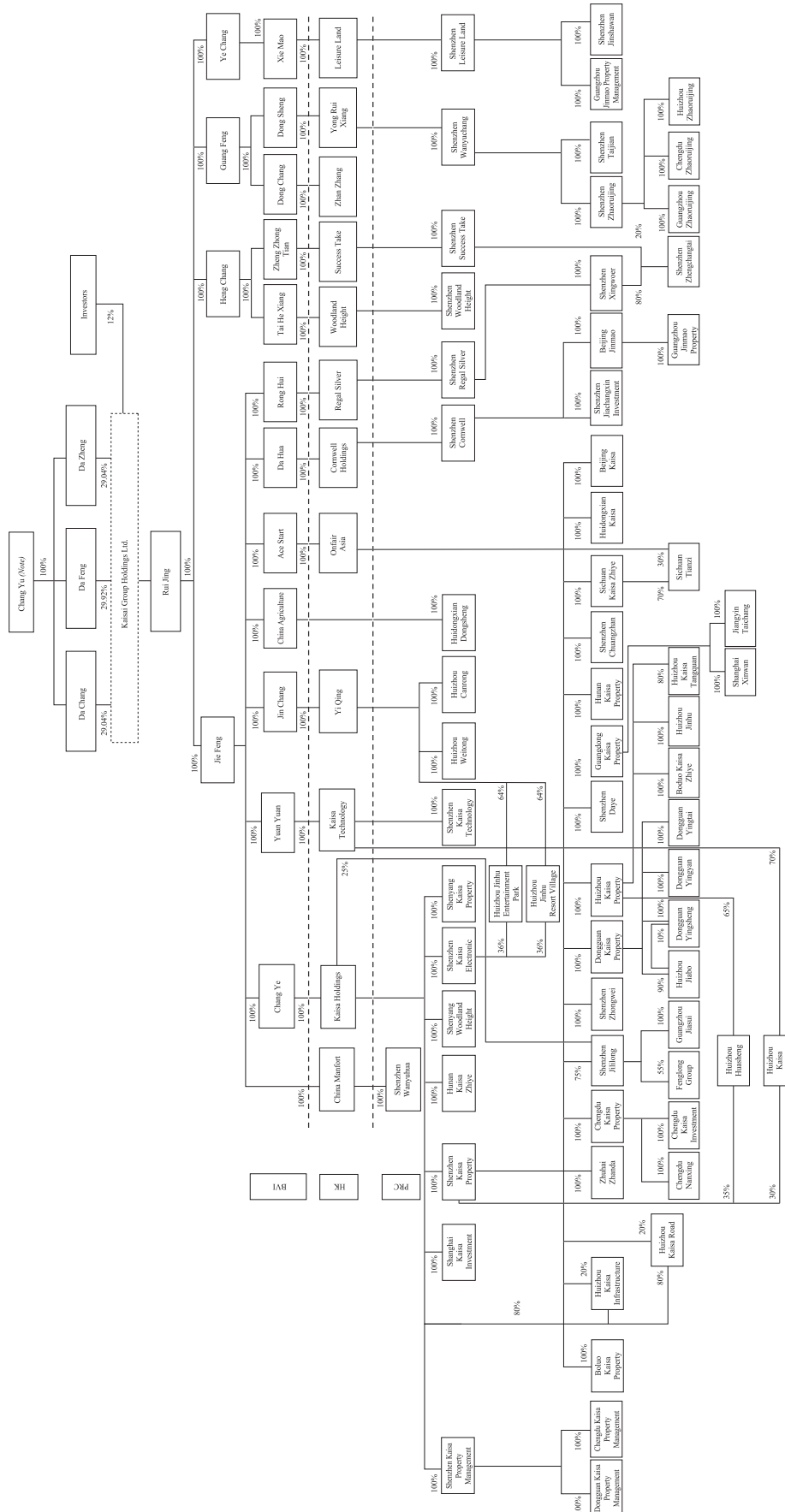
The arrangements under the Concert Party Agreement will continue to have effect thereafter unless:

- (a) the parties thereto agree in writing to terminate the same; or
- (b) (in respect of a particular Target Entity) upon the winding up of the relevant Target Entity by the passing of a shareholders’ resolution or pursuant to a court order.

Through the Concert Party Agreement and based on the unanimous voting record among the Kwok Family, the Kwok Family is a group of controlling shareholders and satisfies the ownership continuity and control requirements under Rule 8.05(1)(c) of the Listing Rules.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The shareholding structure of our Group after completion of the Reorganization was as follows:



Note: The entire equity of Chang Yu is held by Good Health Investments Limited which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of the Kwok Family Trust.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

STRATEGIC INVESTMENTS

Senior secured term loan facility

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 the 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 named therein 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 and Leisure Land entered into an amendment agreement (the “Amendment Agreement”), pursuant to which various terms of the Credit Agreement were amended and restated.

We intend to use our internal funds to finance our repayment of the Loan.

The principal terms of the Credit Agreement (as amended and restated) are set out as follows:

The Borrower : Our Company

Lenders as at the Latest Practicable Date : (a) CSS, an overseas branch of Credit Suisse, a joint stock corporation established under Laws of Switzerland which is wholly-owned by Credit Suisse Group;

(b) ML, a company incorporated in the state of Delaware in the United States, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons;

(c) Kamsara, a company incorporated in the BVI, is an investment holding company controlled by Cheung Kong (Holdings) Limited and whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons;

HISTORY, REORGANIZATION AND GROUP STRUCTURE

- (d) Forum, an exempted limited partnership formed under the laws of the Cayman Islands, acting by its general partner Forum Asian Realty Income II GP Limited, an exempted company formed under the laws of the Cayman Islands and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons. Forum has been established to make structured debt and equity investment in, and in conjunction with, Asian real estate companies. Forum’s investments consist primarily of privately negotiated and structured common or preferred equity, straight or convertible debt, or other structured securities of the Asian real estate companies;
- (e) PMA, a Cayman Islands exempted limited liability company organized under the laws of the Cayman Islands whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company, our subsidiaries and our connected persons, is a company which invests primarily in debt securities issued by companies and governments in the Asia Pacific Region and from time to time, in equities to take advantage of special opportunities;
- (f) PMA Temple Fund, a company incorporated in the Cayman Islands, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons;
- (g) Diversified Asian Strategies Fund, a company incorporated in the Cayman Islands, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons; and
- (h) PMA Focus Fund, a company incorporated in the Cayman Islands, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons.

Term Loan Facility : US\$200 million, which was fully drawn down in September 2007.

Reason for the transaction and the use of proceeds : The Credit Agreement was entered into for the purpose of raising funds for funding land acquisitions and property development projects. The proceeds of US\$200 million, together with our internal funds, have been used as follows:

- approximately [35]% were used for purchase land for development projects in Chengdu, Changsha and Dongguan; and
- approximately [65]% were used for the acquisition of project companies in Shenzhen, Huizhou, Chengdu, Jiangyin and Shanghai.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Interest rate	: Under the Credit Agreement, our Company agreed to pay an interest rate of 8.8% per annum payable in arrears semi-annually on the outstanding facility amount from August 24, 2007 until October 26, 2009 (both dates inclusive), and for the period from October 27, 2009 until the Final Maturity Date, quarterly on December 31, 2009, March 31, 2010, June 30, 2010, September 30, 2010 and on the Final Maturity Date.
Repayment	: 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 on December 1, 2010 (the “Final Maturity Date”).
Debt service reserve account	: the Company is required to deposit amounts into the debt service reserve account on or before the date falling 3 months before each interest payment date to ensure that the amount standing to the credit of the debt service account (after taking into account any withdrawal effected on that day from 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.
Collateral	: The Loan is secured by a charge over the debt service amount of our Company, corporate guarantees provided by the offshore subsidiaries of our Company, security interests over Shares owned by each of Da Chang, Da Feng and Da Zheng and the shares of the offshore subsidiaries of our Company and security interests over intercompany loans owed by each member of our Group to our Company or an offshore subsidiary of our Company.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Rights of the Lenders and restrictive covenants : The major rights of the Lenders and restrictive covenants under the Credit Agreement are set out below:

(a) Financial information

Our Company shall supply to CSS as the facility agent in sufficient copies for all the Lenders the audited consolidated financial statements of our Group for each of its annual accounting periods, the unaudited consolidated financial statements of our Group for each of its semi-annual accounting periods, and a certificate establishing compliance by the Group of the financial covenants set out in paragraph (q).

(b) Miscellaneous information right

Each of the Obligors and the members of our Group shall supply to CSS as the facility agent (i) all documents and material notices despatched by it to its shareholders or investors (or any class of them) (if applicable) or by it to its creditors of financial indebtedness (or any class of them) at the same time as they are despatched (including but not limited to financial statements, notices of meetings, etc); (ii) details of any litigation, arbitration or administrative proceedings which are current, threatened or pending, and which might, if adversely determined, have a material adverse effect; and (iii) such further information in its possession or control regarding its financial condition and operations as any finance party (through CSS as the facility agent) may reasonably request, in each case in sufficient copies for all of the lenders, if CSS as the facility agent so requests. Each of the Obligors and the members of our Group must ensure that any representative properly appointed by CSS as the facility agent or other finance party be allowed access to our premises to inspect the books, records and other data in our possession or control in accordance with the terms of the Credit Agreement.

(c) Land Acquisition

Our Company shall supply to CSS as the facility agent on the last day of each calendar quarter a progress report regarding the status of each acquisition of real property located in the PRC (or the shares in the company holding such real property) (“Land Acquisition”) financed or to be financed out of the proceeds of the Loan.

(d) Negative pledge clause

(a) No Obligor shall create or permit to subsist any security interest on assets which constitute (or purport to constitute) the subject matter of any security interest created or (purported to be created) under the security documents in connection with the Loan (the “Security Documents”), other than security interests created pursuant to the Security Documents.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

- (b) Unless with the prior written consent of CSS, none of the Obligors and the members of our Group incorporated outside of the PRC shall create or permit to subsist any security interest on any of our assets, other than the security interests created pursuant to the Security Documents.
- (c) Unless with the prior written consent of CSS, no member of our Group incorporated in the PRC shall create or permit to subsist any security interest on any of our assets, save as otherwise permitted under the Credit Agreement.
- (e) Transactions similar to security

None of the Obligors and the members of our Group shall sell, transfer or otherwise dispose of any of its assets on terms whereby it is or may be leased to or re-acquired or acquired by it or any of its related entities; or any of its receivables on recourse terms, except for the discounting of bills or notes in the ordinary course of trading, in circumstances where the transaction is entered into primarily as a method of raising finance or of financing the acquisition of an asset.

- (f) Disposals

No Obligor shall either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer, grant or lease or otherwise dispose of any assets which constitute (or purport to constitute) the subject matter of any security interest created or (purported to be created) under the Security Documents.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

None of the Obligors and the members of our Group shall, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer, grant or lease or otherwise dispose of any of its assets other than: (i) disposals with the prior written consent of the Majority Lenders, (iii) disposals (not being a disposal of an asset expressed to be subject to any security interest purported to be created under any Security Document) made in the ordinary course of business of the disposing entity, (iv) disposals of assets in exchange for (or disposals of assets for cash and the application within six months of the cash in the acquisition of) other assets comparable or superior as to type, value and quality, (v) disposals of obsolete assets, (vi) disposals contemplated under the corporate reorganization for the preparation of [●], (vii) disposals constituting a Change of Control Event (to the extent that the relevant provisions set out in another clause (Mandatory Prepayment upon a Change of Control Event) have not been breached); or (viii) disposal (not being a disposal of an asset expressed to be subject to any security interest purported to be created under any Security Document) where the book value of the assets subject to such disposal (when aggregated with the book value of the assets subject to all other disposals, amalgamations, demergers, reconstructions or consolidations or mergers to which this paragraph (vi) applies) does not exceed 10% or more of the aggregate book value of all assets of our Group as shown in the latest consolidated financial statements of our Group.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

(g) Mergers

None of the Obligors and the members of our Group shall enter into any amalgamation, demerger, merger, reconstruction or consolidation other than (i) amalgamation, demerger, merger, reconstruction or consolidation under an intra-group reorganization of our Group on a solvent basis (provided that not less than 60 days’ prior notice shall be given to the finance parties, namely, the arranger, an agent, an account bank or a Lender in connection with the Loan, with respect to such amalgamation, demerger, merger, reconstruction or consolidation); (ii) the corporate reorganization; (iii) a Change of Control Event; provided that if (iv) any amalgamation, demerger, merger, reconstruction or, as the case may be, consolidation permitted under any of the sub-paragraphs above involves an Obligor and that Obligor is not the entity surviving such amalgamation, demerger, merger, reconstruction or, as the case may be, consolidation, the performance and observance of all obligations of that Obligor under the finance documents relating to the loan facility under the Credit Agreement to which it is a party must be expressly assumed in writing by the entity surviving such amalgamation, demerger, merger, reconstruction or, as the case may be, consolidation to the satisfaction of the CSS as the facility agent (acting on the advice of its legal adviser).

(h) No loans or guarantees

(i) No member of our Group incorporated outside of the PRC shall make any loan or other financial accommodation or credit available to any person other than with the prior written consent of the Majority Lenders; or shareholders’ loans made available to any member of our Group, to the extent the benefits in such shareholders’ loans are subject to the security interests created under a security deed as part of the Security Documents.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

- (ii) No member of our Group incorporated in the PRC shall make any loan or other financial accommodation or credit available to any person other than trade credit or account receivables granted or created in the ordinary course of business of the relevant member of our Group; outstanding receivables of our Group (to the extent that the provisions set out in the Credit Agreement have not been breached); with the prior written consent of the Majority Lenders; or intercompany loans made available to any member of our Group, provided that where the relevant intercompany loan is made available to an Obligor, such intercompany loan shall be subordinated to loan facility under the Credit Agreement on terms and conditions satisfactory to CSS as the facility agent.
- (iii) No member of our Group incorporated outside of the PRC shall grant any guarantee or indemnity of any liability of any person other than guarantees given under the Finance Documents; guarantees granted in support of any additional financing; guarantees granted in favour of the lenders of financial indebtedness incurred by any member of our Group incorporated in the PRC; or with the prior written consent of the Majority Lenders.
- (iv) No member of our Group incorporated in the PRC shall grant any guarantee or indemnity of any liability of any person, other than guarantee or indemnity granted with the prior written consent of the Majority Lenders; guarantee or indemnity granted by a member of our Group in relation to financial indebtedness incurred by another member of our Group; or guarantee or indemnity granted by a member of our Group in its ordinary course of business on customary terms in favour of any bank or financial institution in the PRC providing mortgage loans to their customers for the purposes of financing the purchase by those customers of individual units of properties developed by that member.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

(i) Restricted payments

None of the Obligors and the members of our Group shall make any gift, donation, grant or other accommodation available to any person other than (i) with the prior written consent of the Majority Lenders; (ii) payment of performance bonus to employees (excluding the Founding Shareholders and their respective associates) in the ordinary course of business, including payment in kind pursuant to any employees’ share option scheme so long as such payment does not contravene the provisions in the warrant instruments in connection with the Tranche A Warrants and the Tranche B Warrants; or (iii) gift, donation or other accommodation of a value (when aggregated with the value of all other gifts, donations and accommodations made within the same annual accounting period to which neither (i) or (ii) above applies) not exceeding US\$5,000,000.

(j) Shares

None of the Obligors and the members of our Group shall alter, change, reduce, redeem or purchase any of its share capital or exercise any rights of forfeiture which it may have in respect of any of its share capital other than with the prior written consent of the Majority Lenders; or as expressly permitted or contemplated under the Credit Agreement.

(k) Payment of dividends

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 an IPO (except for the payment of the special dividend permitted under the Credit Agreement); at any time while a default is continuing; or if the payment or making of such dividend or distribution might result in the occurrence of a default.

(l) Amendments to constitutional documents

None of the Obligors and the members of our Group may, without the prior written consent of the Majority Lenders, amend its memorandum or articles of association or other constitutional documents or enter into any agreement with any of the shareholders or investors in a manner or to an extent which is reasonably likely in any way to have a material adverse effect.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

(m) Material transactions

None of the Obligors and the members of our Group may enter into any transaction with any person otherwise than transactions on arm’s length terms in the ordinary course of business and for fair value; or transaction entered into with the prior written consent of the Majority Lenders.

(n) Transactions with related parties

None of the Obligors and the members of our Group may trade or deal with any of its related parties (including, without limitation, the payment or incurrence of management or similar service fees) (each a related transaction) without the prior written consent of the Majority Lenders, other than transactions on arm’s length terms in the ordinary course of business and for fair value; or transactions effected among members of our Group.

(o) Year end

No member of our Group shall change its financial year end without the prior written consent of the Majority Lenders.

(p) Intellectual Property Rights

Each of the Obligors and the members of our Group must not use or permit any intellectual property right of our Group to be used in a way which may take or omit to take any action which may, adversely affect the existence or value of such intellectual property right, and not grant any licence in respect of those intellectual property rights.

(q) Financial Indebtedness and financial covenants

The aggregate amount of outstanding financial indebtedness of the members of our Group incorporated outside the PRC (the “Offshore Borrowings”) shall not exceed US\$275,000,000, other than any guarantee, indemnity or similar assurance against financial loss of any person issued by a member of our Group incorporated outside the PRC in respect of any Offshore Borrowings to the extent of the amount of such Offshore Borrowings so guaranteed, indemnified or assured; or any premium payment by our Company in the event there is no Qualifying IPO prior to the Final Maturity Date, pursuant to the terms of the Credit Agreement.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

We are subject to certain financial covenants. Our Company must ensure that (a) the ratio of Consolidated EBITDA (as defined in the Credit Agreement) to consolidated interest expense (as defined in the Credit Agreement) for each Measurement Period does not fall below: (i) in the case of the Measurement Period ending on December 31, 2007 or June 30, 2008, 2.5:1; and (ii) in the case of any other Measurement Period, 1.5:1; and (b) the ratio (expressed as a percentage) of Consolidated Total Borrowings (as defined in the Credit Agreement) to consolidated total capitalisation (as defined in the Credit Agreement) does not, as at the end of each Measurement Period, exceed: (i) in the case of the Measurement Period ending on June 30, 2008, 75%; (ii) in the case of the Measurement Period ending on December 31, 2008, 65% (if an IPO occurs during that Measurement Period) or 75% (if no IPO occurs during that Measurement Period); and (iii) in the case of any Measurement Period ending after December 31, 2008, 60% (if an IPO has occurred during that or any previous Measurement Period) or 75% (if no IPO occurred during that or any previous Measurement Period).

The Loan is subject to certain customary events of defaults. In particular, the Company is subject to the following events of cross defaults: (a) any Financial Indebtedness (as defined in the Credit Agreement, hereinafter “Financial Indebtedness”) of an Obligor or a member of our Group (save as provided in the Credit Agreement) is not paid when due or within any originally applicable grace period; (b) an event of default howsoever described occurs under any document relating to such Financial Indebtedness of an Obligor or a member of our Group; (c) any Financial Indebtedness of an Obligor or a member of our Group becomes prematurely due and payable or is placed on demand as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness; (d) any commitment for, or underwriting of, any Financial Indebtedness of an Obligor or a member of our Group is cancelled or suspended as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness; or (e) any security interest (as defined in the Credit Agreement) securing Financial Indebtedness over any asset of an Obligor or a member of our Group becomes enforceable, unless the aggregate amount of Financial Indebtedness falling within paragraphs (a) to (e) above is less than US\$10,000,000 (or its equivalent in other currencies). Upon the occurrence of such events of default, our Company may be required to repay the Loan on demand on and subject to the terms of the Credit Agreement.

Except as disclosed above, there is no other agreement or arrangement between the Lenders and our Company with respect to the control, management, operations and development of our Group. To the best of the knowledge, information and belief of our Directors, no agreement or arrangement was entered into between the Lenders and the connected persons of our Company with respect to the control, management, operations and development of our Group.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

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	The Final Maturity Date
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 the Final Maturity Date.
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 on the Final Maturity Date.
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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

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).

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 2008. In addition, capital expenditure, including payments for land, construction cost and land payment under the contractual arrangement incurred for the year ended December 30, 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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Consolidated EBITDA for each of the two measurement periods ended on December 31, 2008 and June 30, 2009 was 6.5 and 6.1 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 and 2.1 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.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Measures to ensure ongoing compliance with the covenants

The abovementioned breaches of financial and non-financial covenants will not trigger any default of existing domestic loan agreements entered into by our Group and it is therefore not necessary for our Group to re-negotiate on our Group’s domestic loans that contain cross default provisions. Please refer to the section entitled “— Domestic Bank Loans With Cross Default Provisions” in this document for further information on domestic bank loan agreements which our Group has entered into 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.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Detachable Warrants

In connection with the Loan, on the Credit Agreement Date, our Company issued the Warrants to the original Warrantholders pursuant to the warrant instruments dated September 12, 2007 (as amended and restated on October 27, 2009) (the “Warrant Instrument(s)”), an agreement separate from the Credit Agreement, 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 principal terms of the Warrants are set out below:

Number of Tranche A Warrants : As at the Latest Practicable Date, the following Warrantholders hold Tranche A Warrants:

Warrantholders	Holding
1. CSS	51,926,536
2. Other Warrantholders	<u>148,073,464</u>
Total	<u><u>200,000,000</u></u>

Number of Tranche B Warrants : As at the Latest Practicable Date, the following Warrantholders hold Tranche B Warrants:

Warrantholders	Holding
1. CSS	27,500,000
2. Other Warrantholders	<u>172,500,000</u>
Total	<u><u>200,000,000</u></u>

Warrant Shares : 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 number of Shares which a Tranche B Warrantholder is entitled to subscribe for upon the exercise of each Tranche B Warrant shall be calculated in accordance with a formula.

Assuming the exercise of the Tranche A Warrants and the Tranche B Warrants in full, our earning per Share will be reduced by approximately %.

The full exercise of the Warrants would not result in the Controlling Shareholders ceasing to be the controlling shareholders of the Company within the period of time as contemplated under Rule 10.07 of the Listing Rules.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Exercise price : *Tranche A Warrants*

The Tranche A Warrants are exercisable at a price (the “Exercise Price”) of RMB0.10 per Share. The Exercise Price was arrived at after arm’s length negotiations with the Tranche A Warrantholders.

Tranche B Warrants

The Tranche B Warrants are exercisable for nil consideration.

Right of First Refusal : In the event that any of Da Chang, Da Feng and Da Zheng (the “Relevant Transferor”) intends to sell any of the Shares held by it (the “Relevant Sale Shares”) to any person the relevant Transferor shall offer to the Warrantholders to purchase such Relevant Sale Shares on a pro-rata basis (the “ROFR Offer”). In the event that the Warrantholders fail to exercise their rights of first refusal to purchase the Relevant Sale Shares pursuant to the ROFR Offer in accordance with the terms of the Warrant Instrument, the Company shall give notice to the Relevant Transferor and the Warrantholders (a “Permitted Third Party Sale Notice”) notifying that the Relevant Transferor shall be entitled to sell the Relevant Sale Shares to its intended transferee (the “Permitted Third Party”), subject to the Tag Along Option.

Tag Along Option : In the event the Warrantholders receive a Permitted Third Party Sale Notice, each Warrantholder (other than a Warrantholder who has defaulted in its obligation to pay the purchase price for the Relevant Sale Shares pursuant to the ROFR Offer, where applicable) shall have the option to require the Relevant Transferor to cause the Permitted Third Party (or its nominee) to purchase all (but not part) of the Shares issuable to that Warrantholder upon a deemed exercise of the Warrants (the “Tag Along Option”). In the event a Warrantholder elects to exercise its Tag Along Option, that Warrantholder shall be deemed to have exercised all the subscription rights represented by the Warrants then held by it.

Transferability : The Warrants may be transferred in accordance with the requirements of the Warrant Instruments.

No lock-up provision : Upon exercise of the Subscription Rights upon the occurrence of a Qualifying IPO, the Warrantholders are free to dispose or transfer the Shares in an open market and not subject to a lock-up.

Information right : The Company shall send to each Warrantholder at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of Shares generally.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

No special right : The Warrants do not grant to Warrantholders any special rights which are not otherwise available to the public Shareholders. The Warrantholders are not accorded with the same rights or protection as the Lenders.

Lapse of the Warrants : The Tranche A Warrants will lapse on the earliest of: (a) the Final Maturity Date; (c) the date on which a change of control event occurs; and (d) the date on which a resolution or order for the winding up of our Company is passed or made.

The Tranche B Warrants will lapse on the earliest of: (a) the Final Maturity Date; (c) the date on which a change of control event occurs; and (d) the date on which a resolution or order for the winding up of our Company is made or passed.

The percentage of equity shares to be issued by the Company upon the exercise of Tranche A Warrants was fixed when the Tranche A Warrants were issued, while the percentage of equity shares to be issued upon the exercise of Tranche B Warrants still depends on factors that could not have been ascertained at the time when the Tranche B Warrants were issued. Consequently, the Tranche A Warrants were classified as equity and the Tranche B Warrants were classified as a liability in accordance with HKFRS.

The Investment Agreement and the Share Purchase Agreement

On November 16, 2007, the following Investor Shareholders entered into the Investment Agreement and the Share Purchase Agreement (as amended on October 21, 2009):

- (a) Baytree, an investment holding company organized under the laws of Mauritius, an indirect wholly-owned subsidiary of Temasek whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company, our subsidiaries and our connected persons;
- (b) CAGP, an exempted limited partnership formed under the laws of the Cayman Islands, acting by its general partner CAGP General Partner, L.P., an exempted limited partnership formed under the laws of the Cayman Islands (“CAGP LP”) which acts itself by its general partner CAGP, Ltd., an exempted company incorporated under the laws of the Cayman Islands, and an investment fund and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons;
- (c) CAGP III, an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner CAGP LP which acts by its general partner CAGP, Ltd., an exempted company incorporated under the laws of the Cayman Islands and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons;

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- (d) Forum, an exempted limited partnership formed under the laws of the Cayman Islands, acting by its general partner Forum Asian Realty Income II GP Limited, an exempted company formed under the laws of the Cayman Islands and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons;
- (e) Longhill, Ltd., an investment holding company incorporated under the laws of the Cayman Islands, an affiliated entity of CAREP and CAREP II whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company, our subsidiaries and our connected persons;
- (f) PMA, a company incorporated in the Cayman Islands, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons; and
- (g) RECP, a limited liability company organized under the laws of the State of Delaware, the United States of America, is an entity over which Credit Suisse Group has indirect control. To the best of the knowledge, information and belief of our Directors, RECP is not a connected person of our Company, our subsidiaries and our substantial shareholders.

On November 16, 2007, the Investor Shareholders subscribed an aggregate of 869.565217 new Shares at an aggregate subscription price of US\$200 million (the “Subscription Price”). The proceeds from such issue of new Shares (the “Subscription Shares”) were principally applied towards funding land acquisitions by our Group. 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 (the “Purchase Price”). After the subscription of the Subscription 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 issued share capital of our Company as enlarged by the issue of the Subscription 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.

To the best of our knowledge, information and belief, (i) the Investor Shareholders have never acted as members of a controlling group of Shareholders that could enable their interests to be aggregated with the Controlling Shareholders; and (ii) each of the Investor Shareholders is an independent professional institutional investor with a distinct and individual interest. Except for CAGP, CAGP III and Longhill, which are affiliated entities, each of the Investor Shareholders, to the best of our knowledge, information and belief, is owned and managed by different entities without any cross management among themselves. There has been no understanding, agreement or arrangement that the Investor Shareholders would vote in any coordinated manner consistent with the Controlling Shareholders.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Given the experience in real estate investment of all of the Investor Shareholders and/or their Associates in the PRC, we believe that the Investor Shareholders will be able to provide strategic input in the operations of our Company in the long-term, ranging from the improvement of financial internal controls and general corporate governance practices to the sharing of expertise in the development and management of properties. We believe that the long-term relationship among our Company and the Investor Shareholders will assist us to achieve effective long-term growth in the interest of our Shareholders as a whole.

Under the Investment Agreement, the Investor Shareholders have certain special rights (“Equity Special Rights”) which are not normally available to public Shareholders. The Equity Special Rights include:

- (a) the right (“Director Nomination Right”) to appoint one director (“Investor Director”) and one observer (“Observer”) to the Board by one or more Investor Shareholders holding an aggregate of at least two thirds of all the Shares held by all the Investor Shareholders. Mr. Chen Han was appointed as the Investor Director as the board representative of the Investor Shareholders.
- (b) unless approved by a majority of the members of the Board which majority must include the Investor Director, our Company and our subsidiaries must not (subject to certain exceptions), among other things:
 - amend their constitutional documents;
 - issue any shares or securities;
 - grant, create, incur or suffer to exist any encumbrances on any of their assets; and
 - sell or otherwise dispose of all or substantially all of their assets;
- (d) other customary provisions for the protection of minority shareholders.

Save as disclosed above, there is no other agreement or arrangement between the Investor Shareholders and our Company’s connected persons with respect to the control, management, operations and development of our Group.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

DOMESTIC BANK LOANS WITH CROSS DEFAULT PROVISIONS

Set out below is the information pertaining to the loan agreements (except the Credit Agreement) which our Group has entered into and which contain cross default provisions, arranged by the type of cross default provisions:

<u>Type of Cross Default Provisions</u>	<u>Aggregate amount of loan agreements containing such type of cross default provisions ^(Note 1)</u> (RMB'000)	<u>Range of interest rates of loan agreements containing such type of cross default provisions</u>	<u>Term of loan agreements containing such type of cross default provisions</u>
In the event of the borrower's default on any other loan agreements or guarantee agreements or the guarantor's default on the guarantee agreement that may affect the borrower's performance of the obligations herein, the lender is entitled to demand the immediate repayment of the loan	1,030,000	6.05–6.21%	2–3 years
In the event of a default in whole or in part by the borrower on any loans that is granted by the lender and any other commercial banks to one of the Kaisa group companies (ie Shenzhen Daye, Shenzhen Kaisa Technology, Shenzhen Kaisa Property and Chengdu Nanxing), the lender is entitled to demand immediate repayment of all or parts of the loans by the Kaisa group companies. The lender is also entitled to demand immediate repayment of the loan under any of the following circumstances if the lender considers that the lender's rights under this agreement may be jeopardised, namely: the borrower's failure to pay any other debts when due (including debts due which shall be paid to various branches of the lender or any other third party), the borrower transferring assets at undervalued prices or for free, the borrower exempting or reducing any other third party's debts, the borrower delaying in exercising its lender's right due or other rights, or the borrower providing a guarantee for any other third party.	300,000	5.67%	2 years
If any event of default by the borrower occurs under any other contracts between the borrower and the lender or any agency of the lender, or if the guarantor breaches any covenants under the guarantee, or any event of default by the guarantor occurs under any other contracts between the guarantor and the lender or any agency of the lender, the lender is entitled to demand immediate repayment of the loan.	2,505,000	5.13–6.05%	2–12 years

HISTORY, REORGANIZATION AND GROUP STRUCTURE

<u>Type of Cross Default Provisions</u>	<u>Aggregate amount of loan agreements containing such type of cross default provisions^(Note 1) (RMB'000)</u>	<u>Range of interest rates of loan agreements containing such type of cross default provisions</u>	<u>Term of loan agreements containing such type of cross default provisions</u>
If any event of default by the borrower such as delay in performance occurs during the performance of any other contracts made between the borrower and the lender and if such event of default is not rectified by the borrower after notice has been given by the lender, the lender is entitled to demand immediate repayment of the loan.	340,000	5.83–5.40%	2 years
The lender is entitled to demand immediate repayment of the loan under any of the following circumstances if the lender considers that the lender's rights under this agreement may be jeopardised, namely: the borrower's failure to pay any other debts when due (including debts in due which shall be paid to various branches of the lender or any other third party), the borrower transferring assets at undervalued prices or for free, the borrower exempting or reducing any other third party's debts, the borrower delaying in exercising the lender's right due or other rights, or the borrower providing a guarantee for any other third party.	320,000	5.04–5.40%	1–2 years
In the event that the borrower breaches any covenants under any other loan contracts or loan agreements which it has entered into, or the borrower fails to repay any amount due and payable under any other loan contracts or loan agreements which it has entered into, the lender is entitled to demand immediate repayment of the loan.	112,000	4.86%	3 years
In the event of the borrower's failure to perform any or part of the obligations under other contracts between the borrower and the lender, which is deemed an event of default under the loan agreement, the lender is entitled to demand immediate repayment of the loan.	350,000	5.13–5.40%	2–3 years
Total aggregate amount of loan agreements containing such type of cross default provisions (RMB'000)	4,957,000		

Note:

(1) The aggregate amounts of the loan agreements stated herein reflect the outstanding amounts of the loan agreements as of September 30, 2009.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

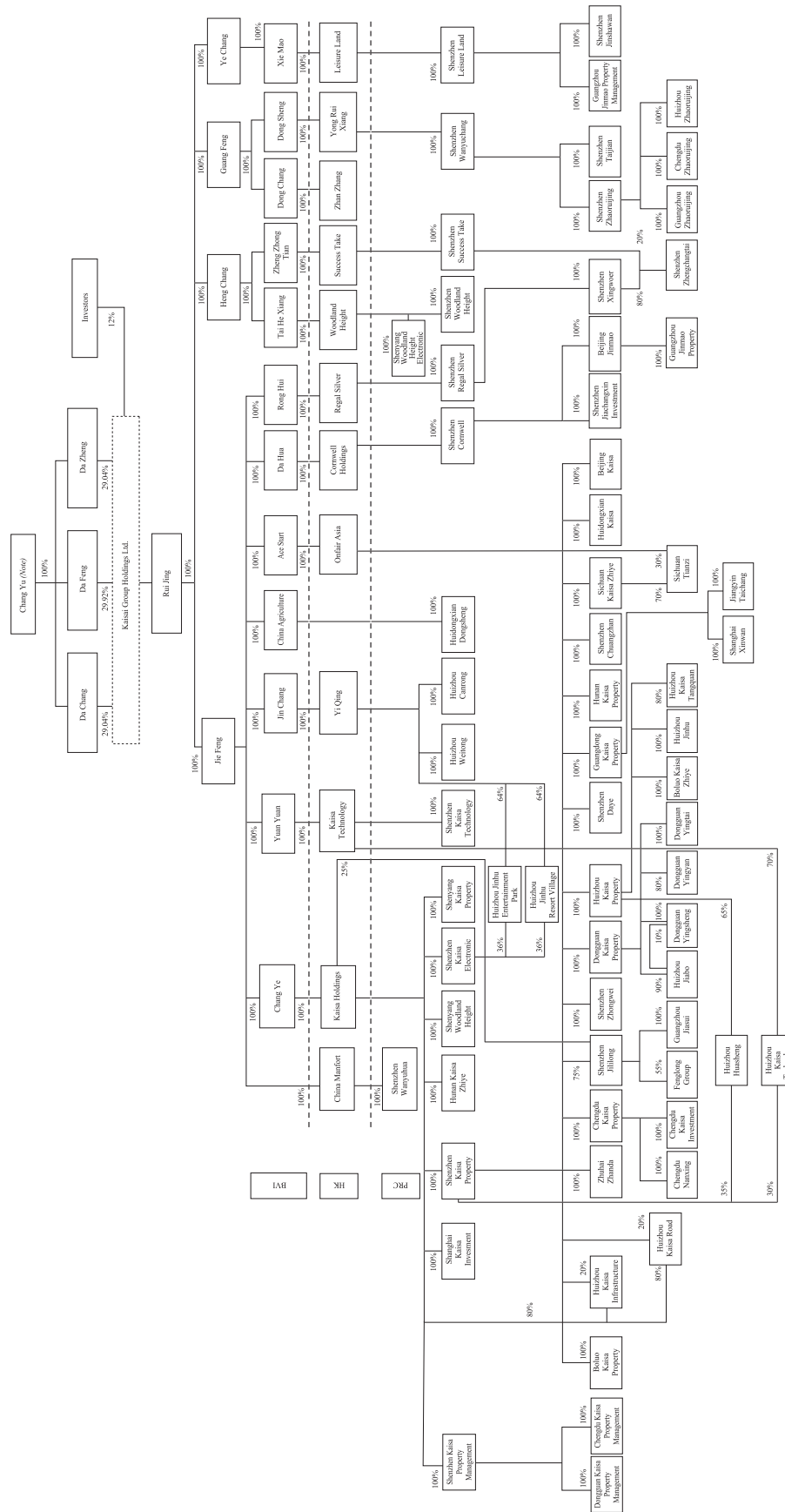
ESTABLISHMENT OF THE KWOK FAMILY TRUST

For the purpose of streamlining the control and shareholding interests beneficially owned by the Founding Shareholders in our Company, the Founding Shareholders have established the Kwok Family Trust pursuant to the Reorganization. The Kwok Family Trust was established as a discretionary trust by the Kwok Family as settlors on May 23, 2008 with an aim to vest all their equity interest in us into the trust. On May 23, 2008, the Kwok Family transferred the entire issued share capital of Chang Yu to Good Health Investments Limited which is owned as to 50% by Seletar Limited and as to 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries the Kwok Family Trust. To the best of the knowledge, information and belief of our Directors, Credit Suisse Trust Limited is independent from our Group and our connected persons. As at the date of this document, the beneficiaries of the Kwok Family Trust include the Kwok Family and their immediate family members including the spouse and children of each of Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Kwok Chun Wai who will be deemed to be acting in concert under the Takeovers Code and regarded as a controlling group of shareholders of the Company under the Listing Rules. As a discretionary trust, the benefit and entitlement of these beneficiaries in the Kwok Family Trust is not fixed and is subject to the absolute discretion of the Trustee in exercising its power to deal with the trust assets conferred on it under the Kwok Family Trust. These powers include, among others, the power to, pay and apply the trust funds, to add and exclude beneficiaries, to make investments, to make loans to beneficiaries and guarantee debts, in each case subject to the terms and conditions of the trust deed in connection with the Kwok Family Trust. The Kwok Family, together being the settlors, are also the first protectors of the Kwok Family Trust. As settlors and first protectors, among other things, they have the power to appoint an investment manager to manage the trust funds of the Kwok Family Trust.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

SHAREHOLDING STRUCTURE OF OUR GROUP

The shareholding structure of our Group immediately before exercise of the Warrants, completion of [●] is as follows (assuming the [●] is not exercised) and not taking account of any Shares which may be issued upon exercise of the options granted or to be granted under [●] or the Share Option Scheme):



Note: The entire equity of Chang Yu is held by Good Health Investments Limited which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of the Kwok Family Trust.

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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.,

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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.

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. 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 properties 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.

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

We are one of the leading property developers in the Pearl River Delta region and have an increasing presence in other select strategic cities with high economic growth potential in China. We began our operations in 1999 in Shenzhen where we established a track record of developing and selling completed large-scale property developments, with a total GFA of approximately 2.2 million sq.m. We have increased the scale of our property developments in Shenzhen since 1999 and continued to expand our geographic coverage with property developments in Guangzhou, Dongguan, Huizhou and Zhuhai in the Pearl River Delta region. We have leveraged our accumulated knowledge and experience in property development in the Pearl River Delta region to expand into other regions in China. In July 2009, we completed Jiangyin Lake View Place Phase 1, our first property development in the Yangtze River Delta

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region. We also have property projects at various stages of development in other regions in China, including Shanghai and Jiangyin, which are situated in the Yangtze River Delta region; Chengdu, the provincial capital of Sichuan Province and one of the major urban centers in the Chengdu-Chongqing region; and Changsha, the provincial capital of Hunan Province and one of the key cities in the Central China region. In addition, we intend to enter into the Pan-Bohai Bay Rim. We believe that our well-established position and operating expertise, together with our methodical evaluation of growth potential in these select strategic cities and regions, will enable us to diversify geographically our portfolio of properties.

The “Kaisa” brand is a well-known real estate 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, and one of the “2008 China Top 10 Quality Property Management Service Providers” by the China Real Estate Top 10 Research Team. In 2008, we were ranked second in the comprehensive annual ranking list of qualified real estate development enterprises in Shenzhen published by Shenzhen Municipal Committee of Planning and Land Resources (formerly known as the Shenzhen Municipal Bureau of Land Resources and Housing Management). This annual ranking list is based upon a point system reflecting the results of annual inspections conducted by the Shenzhen Municipal Committee of Planning and Land Resources on the enterprises’ corporate and compliance activities in Shenzhen, including but not limited to total GFA in construction, total GFA completed, total GFA sold and number of employees during the year of inspection. We believe our site planning, layout and architectural designs, product quality and dedication to customer satisfaction have distinguished our brand. Our Mocha Town development was awarded the 2004 Gold Award for Architecture and Planning. Our Xiangrui Garden development was named one of the “Shenzhen Top Ten Excellent Property Projects in 30 Years” by the Shenzhen Special Zone Daily, one of the major newspapers in Shenzhen, in 2008. We believe that “Kaisa” also evokes our high standard of industry practice. In 2005, we implemented our “risk announcements” practices to alert our potential customers to the risks attendant to property ownership and investment. In addition, we believe that the market recognition of “Kaisa” is further supplemented by our award winning property management services for properties we developed. We customize services to meet the particular needs and requirements of the community and focus particularly on maintaining customer satisfaction. We believe that by providing quality property management services, we will be able to improve the appeal of our products to customers and distinguish our products from those of our competitors.

Responsiveness to market trends and innovative approach to business operation

Our knowledge of real estate markets and our understanding of market trends in China enable us to respond effectively to market conditions and changes. Our business model incorporates the key market factors that influence housing growth in China, particularly in the cities and regions where we operate or into which we intend to expand. In selecting sites for our residential developments, we focus on identifying suburban areas with access to road networks, public transport and urban facilities. We believe our market analysis, together with our site research and additional market information provided by third-party sources, enable us to better assess the risks, costs and potential returns associated with potential sites for development. By being proactive and responsive, we believe that we have been able to utilize our understanding of market fundamentals to guide our land reserve strategy. For example, based on our understanding of the governmental initiative for achieving greater regional competitiveness, we have adapted our land reserve strategies to the expected integration process of neighboring cities in the Pearl River Delta region. We have identified and successfully acquired quality land with a total GFA of

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approximately 7.7 million sq.m. in Shenzhen, Dongguan and Huizhou over the past three years. In December 2008, the NDRC issued the Outline of the Plan for Reform and Development of the Pearl River Delta (珠江三角洲地區改革發展規劃綱要), in which the PRC Government for the first time specifically stated its goal to optimize the functional layout of the eastern bank of the Pearl River estuary, with Shenzhen as the core city and Dongguan and Huizhou as major supporting cities. In February 2009, the local governments of Shenzhen, Dongguan and Huizhou entered into the Framework Agreement to Promote Closer Cooperation in the Eastern Bank of the Pearl River Estuary (推進珠江口東岸地區緊密合作框架協議), which provided specific guidelines for a new pattern of cooperative development and further the economic integration of the three cities. Given these recent governmental initiatives to advance the economic integration of Shenzhen, Dongguan and Huizhou, we expect that the real estate markets in these three cities will further converge. We believe that our land reserves in Shenzhen, Dongguan and Huizhou together with our well-known “Kaisa” brand will enable us to take advantage of the anticipated economic integration.

We have also exploited new market opportunities by identifying and acquiring distressed and uncompleted residential and commercial properties in Shenzhen and Guangzhou. We generally develop plans to achieve profitability through an analysis of various factors pertaining to the properties, including their valuation, execution, market repositioning and promotion. In 2006, we completed and brought to market Shenzhen Kaisa Center, once a distressed and partially completed property in Shenzhen. We have also completed the renovation of Guangzhou Jinmao, once a distressed and partially completed property in Guangzhou, in 2008. With our responsiveness to market conditions and innovative approach, as well as our growing track record of bringing such properties to market, we believe we have the ability to take advantage of similar market opportunities in the future.

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

Our land acquisition team adopts a coordinated approach during the land acquisition process. We believe our insight into development trends in our target regions has enabled us to acquire large tracts of land at relatively low cost. Besides acquiring land by means of public tender, auction and listing-for-sale, we also acquire controlling equity interests in companies that hold land use rights for the relevant land. By this means, we have generally been able to acquire suitable and sizable land on a cost-effective basis.

We also have experience of building our land reserves through acquiring and renovating distressed and uncompleted properties. While certain distressed properties present potential for achieving profitability at relatively low cost, this land acquisition approach requires the ability to resolve the numerous problems that rendered the properties distressed, to perform an evaluation and complete the property acquisition on a timely basis, and to devise and execute a comprehensive turn-around solution. Accordingly, we have been able to acquire parcels of land during the Track Record Period by acquiring distressed property developments that had not been completed at relatively low cost.

We acquired our land reserves at relatively low cost as our reserves consist mostly of parcels of land located in select cities where, we believe, the value of acquired land had not been fully recognized at the time of acquisition. We believe that the relatively low cost of our land reserves has enhanced our ability to respond to changing market conditions by adjusting prices while maintaining profitability.

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As of September 30, 2009, we had 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. We expect that our existing land reserve will be sufficient to support our contemplated development needs and to sustain our business growth for the next five years.

Experienced and long-serving senior management team and continuous recruitment of management talent

Our senior management team members have extensive experience in the PRC real estate industry and expertise in strategic planning and business management. Certain of our core management members, including our founder and Chairman, Mr. Kwok Ying Shing, have led the growth of our business since our inception in 1999. To retain management talent and align their interests with those of our Company, we offer competitive compensation, stock option plans and a cohesive team-based working environment. We believe that our highly experienced senior management members will enable us to maintain the growth of our business. In recent years, we have attracted and hired, through a selective recruitment process, a number of seasoned managers and professionals from the real estate industry in China. We maintain a continuous effort to attract and retain management talent in accordance with our aim to further expand our business operations.

Relationship with key strategic investors

As part of our recent [●], we have been able to attract internationally renowned investors, including an affiliate of Cheung Kong Holdings and affiliates of Credit Suisse for the loan and warrant portion of [●], and affiliates of Carlyle and an affiliate of Temasek for the equity portion of [●]. See “History, Reorganization and Group Structure — Strategic Investments” in this document.

Many of these investors have experience in investing and in the PRC real estate market, and we believe they will be able to provide strategic input in our operations, such as the improvement of financial internal controls and general corporate governance practices, and sharing property development and management expertise. We believe that we will be able to benefit from such strategic input from our strategic investors.

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

We intend to continue to focus on property developments in the Pearl River Delta region. We believe that the Pearl River Delta region will remain one of the most economically dynamic regions in China, and that we will be able to continue to capitalize on increasing demand for residential property as well as other types of property we develop in this region.

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In addition, we intend to geographically diversify our revenue portfolio by expanding our business operation into strategic regions with high economic growth potential. We have entered into select cities beyond the Pearl River Delta region including Shanghai, Jiangyin, Chengdu and Changsha. We plan to pursue further geographical diversification through expansion into the Pan-Bohai Bay Rim and other high-growth areas in China.

Continue to focus on residential and commercial property development while enhancing property diversification

We will continue to focus on residential and commercial property developments. We have since 2005 increased the commercial property development projects in our portfolio. We also intend to develop mixed-use and multifunctional complexes comprising high-end office space, hotels, shopping centers, entertainment facilities and restaurants. We believe demand for office buildings, retail space and other types of commercial properties will continue to increase as commercial activities grow in China. We seek to achieve and maintain a balanced development structure by further diversifying into commercial property markets, while continuing to develop residential properties.

We intend to increase our holdings of the commercial properties which we develop for long-term investment purposes so as to enhance the overall value of our property portfolio and to increase the proportion of recurring rental income. The commercial properties we intend to develop and retain include office space, retail space and hotels. We intend to enter into tenancy agreements with reputable international and local tenants to secure recurring rental income. We believe the diversification of our property portfolio will reduce our reliance on one particular sector of the market.

Continue to expand our land reserves to sustain our growth

We will continue to expand our land reserves for new property developments in order to sustain our continued growth and to execute our business expansion plan. We will continue to acquire land through acquisitions of controlling equity interests in parties that hold land use rights. In addition to building our land reserves through the public tender, auction and listing-for-sale process, we intend to take advantage of our experience in revamping distressed properties and continue to acquire distressed properties with good development potential.

Furthermore, we intend to continue to participate in the redevelopment projects for old urban areas and villages in Shenzhen to gain access to land that is suited for our property development plans. We participate in such redevelopment projects in Shenzhen through: (i) participating in the redevelopment of old urban areas or villages occupied by the existing residents; and (ii) jointly developing the land which the government has granted to existing residents in exchange for their original residences. We typically negotiate with the township government or residential committee that acts on behalf of the existing residents, enter into the underlying contractual arrangement for the redevelopment, and apply for the approval from the relevant government authority. See “— Other Contractual Arrangements — Contractual arrangements relating to redevelopment.”

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Further enhance asset turnover and cost efficiency through standardized product lines and scalable business model

We intend to continue to develop standardized product lines to achieve rapid asset turnover and expand the scale of our development while keeping costs competitive. For example, we have developed the “Lake View Place” product line, which currently includes Shenzhen Lake View Place, Jiangyin Lake View Place and Changsha Lake View Place. This product line is comprised of two types of products: (i) standardized residential units, typically ranging from 70 sq.m. to 120 sq.m. in size, at affordable prices targeting emerging middle to upper-middle income consumers in the selected cities; and (ii) townhouses, typically ranging from 150 sq.m. to 500 sq.m. in size, targeting upper income customers. Our “Lake View Place” product line is designed to offer comfortable and convenient community lifestyles and features a portfolio of standard architectural plans and designs. We intend to continue to develop standardized product lines, which we believe will allow us to achieve efficient use of capital and other resources and develop new projects on a timely basis.

We segment the development process into various stages and maintain a systematic approach to manage and control the major steps of our developments, including site selection and land acquisition, detailed project planning and design work, development management and construction, sales and pre-sale, and after-sale services. We intend to further standardize our scalable property development model and optimize our development process by establishing certain standard criteria and operational guidelines that may be replicated across projects.

We believe that these standardized and scalable practices and methodologies, together with a systematic approach to the development process, can be replicated in strategically selected cities, allowing us to effectively and rapidly expand our business and enter into new geographic markets as attractive opportunities arise.

Further enhance our brand recognition

We intend to enhance the brand awareness of “Kaisa” not only in the Pearl River Delta region, but in other select cities and regions in China. We intend to continue to promote our brand, “Kaisa,” by focusing on product quality, site planning, layout and architectural design and customer service. We seek to distinguish ourselves by continuing to provide value-added products that meet the needs of our local middle to upper-middle income target customers, and to continue to build our product reliability through “risk announcement” practices. We have a branding team to promote recognition of our brand and products. We also engage a professional company to promote and enhance awareness of our brand. In addition, we will continue to advertise “Kaisa” across a variety of media, including newspapers, the Internet, television, radio and outdoor advertisements, and by participating in property exhibitions and organizing promotional events. Our goal is to benchmark “Kaisa” as a national brand.

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DESCRIPTION OF OUR PROPERTY DEVELOPMENTS

The map below shows the geographical distribution of our property development projects as of September 30, 2009.



As of September 30, 2009, we had a total of 31 property development projects in the following three categories:

- completed properties, comprising each property held for sale and each investment property for which we have completed construction and received a construction works acceptance and compliance certificate from the relevant governmental authorities;
- properties under development, comprising each property for which we hold a land use rights certificate and a construction works commencement permit; and
- properties for future development, comprising (i) properties for which we have obtained land use rights certificates but have not received a construction works commencement permit; (ii) properties for which we have not obtained land use rights certificates but have entered into a land grant contract or obtained confirmation from the relevant land and resources bureau that

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we have been selected as the winner of the public listing-for-sale process; and (iii) properties as to which we are developing with third parties that hold the land use rights but have not received a construction works commencement permit.

Our classification of projects reflects the basis on which we operate our business and may differ from classifications employed for other purposes or by other developers. Each property project or project phase may involve multiple land use rights certificates, construction permits, pre-sale permits, completion certificates and other permits and certificates which may be issued at different stages of their developments.

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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 (sq.m.)	Total GFA (sq.m.)	Completed properties (sq.m.)	Total GFA		Interest attributable to us
								Under development (sq.m.)	For future development (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	Xiangnui 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 (金萃園)	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 (上海珊湖灣雅園)	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:

- 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 property project.
- The project is a renovation development of a once distressed and partially completed property.
- Excluding Fenglong Center, a portion of the land with a site area of 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.
- Including the projects excluded by note (3) above.
- Based on our internal project plans but subject to the governmental approval.

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Completed Properties

The table below sets forth certain information of our completed property projects or project phases as of September 30, 2009. With respect to table below, you should note that certain units of the completed properties which have been sold are not covered in the Property Valuation Report in Appendix IV to this document.

Project	Project phase	Commencement time	Completion time	Land costs ⁽¹⁾ (RMB in millions)	Total GFA (sq.m.)	Saleable GFA ⁽²⁾ (sq.m.)	% of saleable GFA sold ⁽³⁾	Average selling price (Residential) (RMB/sq.m.)	Average selling price (Commercial) (RMB/sq.m.)	Interest attributable to us	Ref. to Property Valuation Report
Shenzhen											
Woodland Height (桂芳園)	1	June 2000	January 2001	15.5	29,213	29,012	100.0%	3,623	—	100%	4
Woodland Height (桂芳園)	2	November 2000	November 2001	4.6	21,706	13,691	100.0%	3,959	—	100%	4
Woodland Height (桂芳園)	3	March 2001	January 2002	16.4	30,692	30,692	100.0%	4,118	—	100%	4
Woodland Height (桂芳園)	4	August 2001	October 2002	27.1	49,077	47,034	92.1%	4,341	—	100%	4
Woodland Height (桂芳園)	5	August 2002	October 2003	30.5	99,278	90,545	100.0%	4,116	—	100%	4
Woodland Height (桂芳園)	6 ⁽⁴⁾	June 2003	June 2005	58.3	203,493	172,142	98.1%	4,365	11,752	100%	4
Woodland Height (桂芳園)	7	August 2004	September 2005	40.4	55,732	47,760	100.0%	4,538	24,465	100%	4
Woodland Height (桂芳園)	8	March 2005	September 2006	62.9	90,945	75,081	99.8%	5,063	17,117	100%	4
Mocha Town (可園)	1	April 2004	May 2005	35.3	84,644	57,511	99.1%	4,605	10,248	100%	5
Mocha Town (可園)	2	October 2004	November 2005	27.2	54,296	45,064	100.0%	5,337	15,476	100%	5
Mocha Town (可園)	3	December 2004	March 2006	42.4	79,109	65,625	99.7%	5,134	26,759	100%	5
Mocha Town (可園)	4	May 2005	October 2006	57.4	117,945	91,971	99.0%	5,644	30,758	100%	5
Mocha Town (可園)	5	December 2005	April 2007	74.1	135,791	105,813	98.5%	7,090	16,819	100%	5
Mocha Town (可園)	6	May 2006	November 2007	69.0	118,728	96,875	99.7%	8,648	21,258	100%	5
Mocha Town (可園)	7	May 2007	November 2008	75.5	144,786	102,011	97.7%	9,012	11,248	100%	5
Xiangrui Garden (香瑞園)	—	November 2007	February 2009 ⁽⁵⁾	316.5	143,796	101,034	86.7%	15,037	—	100%	12
Mingcui Garden (茗萃園)	1	July 2007	November 2008	145.8	163,507	115,329	94.7%	5,962	9,718	100%	8
Mingcui Garden (茗萃園)	2	November 2007	August 2009	117.3	126,921	97,965	57.5%	6,212	—	100%	13
Shenzhen Kaisa Center (深圳佳兆業中心)	—	November 2005	August 2006	240.0	98,241	84,751	72.6%	13,815	—	100%	2, 3
Shenzhen Lake View Place (深圳水岸新都)	1	September 2005	October 2006	76.8	86,009	74,446	85.4%	6,898	16,940	100%	6
Shenzhen Lake View Place (深圳水岸新都)	2	March 2006	October 2007	35.3	66,883	52,251	92.6%	6,436	14,907	100%	6
Shenzhen Lake View Place (深圳水岸新都)	3	May 2007	October 2008	25.1	65,463	50,616	86.2%	6,782	12,921	100%	6
Shenzhen Lake View Place (深圳水岸新都)	4-5	May 2007	December 2008	61.1	170,272	119,937	87.6%	6,392	—	100%	6
Guangzhou											
Guangzhou Jinmao (廣州金貿項目)	—	July 2006	May 2008	480.0	149,736	147,264	63.3%	—	13,739	100%	7
Dongguan											
Zhongyang Haomen (中央豪門)	1	January 2008	June 2009	29.6	69,166	67,446	82.9%	5,600	—	100%	9
Jiangyin											
Jiangyin Lake View Place (江陰水岸新都)	1	June 2008	July 2009 ⁽⁶⁾	200.9	107,987	87,129	66.6%	11,090	—	100%	11
Total				2,365.0	2,563,414	2,067,991					

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Notes:

- (1) Land costs incurred are calculated based on our internal management records.*
- (2) Pursuant to the relevant local regulations, the GFA for car parking spaces are included in the saleable GFA of Guangzhou Jinmao, and no GFA for car parking spaces are included in the saleable GFA of any other projects.*
- (3) Percentage of saleable GFA sold refers to the total saleable GFA sold and delivered to purchasers divided by total saleable GFA.*
- (4) The information for this phase takes into account the retail units subject to the financing arrangements we entered into in 2005, under which we guaranteed an annual return. See the section entitled “Financial Information — Indebtedness — Borrowings” in this document.*
- (5) 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.*
- (6) 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.*

We have obtained construction works acceptance and compliance certificates for all of our completed properties.

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Properties Under Development

The table below sets forth certain information of our property projects or project phases under development as of September 30, 2009. We have obtained land use rights certificates and construction works commencement permits for all of our properties under development.

Project	Location	Project phase	Total GFA or estimated total GFA (sq.m.)	Saleable GFA or estimated saleable GFA (sq.m.)	Land costs ⁽¹⁾ (RMB in millions)	Commencement time	GFA under pre-sale permit (sq.m.)	GFA pre-sold (sq.m.)	Actual or estimated pre-sale commencement time	Estimated completion time	Interests attributable to us	Ref. to Property Valuation Report
Mingcui Garden (茗萃園)	Shenzhen	3	87,881	69,246	79.2	February 2009	N/A ⁽²⁾	—	April 2010	July 2011	100%	13
Jincui Garden Project (金翠園)	Shenzhen	—	104,285	46,037	221.5	September 2008	45,883	—	September 2009	November 2010	100%	18
Shangpin Garden (上品雅園)	Shenzhen	—	230,923	155,231	237.3	June 2008	155,231	6,637	July 2009	September 2010	100%	23
Guangzhou Kaisa Plaza (廣州佳兆業廣場) ⁽³⁾	Guangzhou	—	117,575	105,750	271.7	July 2008	N/A ⁽²⁾	—	May 2010	December 2010	100%	14
Zhongyang Haomen (中央豪門)	Dongguan	2	66,485	65,300	28.7	June 2008	45,791	16,948	October 2008	December 2009	100%	15
Zhongyang Haomen (中央豪門)	Dongguan	3	108,369	108,369	59.0	August 2009	N/A ⁽²⁾	—	May 2010	October 2011	100%	15
Dijingwan (帝景灣)	Dongguan	—	122,118	112,143	92.5	April 2008	111,208	55,914	December 2008	March 2010	100%	17
Dongjiang Haomen (東江豪門)	Dongguan	1	64,351	58,507	55.6	January 2009	N/A ⁽²⁾	—	February 2010	September 2011	100%	20
Huizhou Kaisa Center (惠州佳兆業中心)	Huizhou	1	104,644	74,872	69.8	August 2009	N/A ⁽²⁾	—	May 2010	September 2011	100%	19
Jiangyin Lake View Place (江陰水岸新都)	Jiangyin	2	63,788	52,567	121.1	July 2009	N/A ⁽²⁾	—	November 2009	June 2011	100%	16
Shanghai Shanhuwan Garden (上海珊瑚灣雅園)	Shanghai	1	32,472	32,472	37.0	February 2009	32,472	1,966	July 2009	July 2010	100%	22
Changsha Lake View (長沙水岸新都)	Changsha	1	80,055	75,508	22.0	September 2009	N/A ⁽²⁾	—	April 2010	September 2010	100%	24
Lijing Harbor (麗晶港)	Chengdu	1	205,819	198,907	189.6	August 2008	205,807	108,086	August 2008	December 2010	100%	21
Total			<u>1,388,764</u>	<u>1,154,907</u>	<u>1,485.0</u>		<u>596,391</u>	<u>189,551</u>				

Notes:

(1) The land costs incurred are calculated based on our internal management records.

(2) We had not obtained the pre-sale permit for the project as of September 30, 2009.

(3) With respect to Guangzhou Kaisa Plaza, on November 3, 2009, we and an independent third party entered into a memorandum of understanding in relation to a possible disposal of our 100% equity interest in Guangzhou Jiasui, the project company for development of this project. The possible disposal will be subject to the further negotiation and execution and completion of the formal equity transfer agreement. For information, see the section entitled “Financial Information — Recent Development” in this document.

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Properties for future development

The table below sets forth the certain information of our property projects or project phases for future development as of September 30, 2009.

Project	Location	Project phase	Estimated total GFA	Land costs ⁽¹⁾ (RMB in millions)	Estimated completion time ⁽²⁾	Ref. to Property Valuation Report
Mingcui Garden (茗翠園)	Shenzhen	4	(sq.m.) 11,530	13.2	2012	25
Li Langlu (李朗路項目)	Shenzhen	—	104,910	27.5	2012	27
Fenglong Center (豐隆中心) ^{(3), (4)}	Shenzhen	—	142,000	264.8	2014	58
Nan'ao Kangbao (南澳康保項目)	Shenzhen	—	44,000	16.7	2011	32
Zhongyang Haomen (中央豪門)	Dongguan	4	143,583	47.7	2012	28
Dongjiang Haomen (東江豪門)	Dongguan	2-3	197,709	182.4	2012	39
Yantian (雁田) ^{(3), (5)}	Dongguan	1-2	136,370	20.0	2011	59
Jincheng Heights (錦城山莊)	Huizhou	1-2	267,995	120.6	2011	29
Huizhou Kaisa Center (惠州佳兆業中心)	Huizhou	2-3	435,042	424.8	2011	38
Yuan Zhou (圓洲項目)	Huizhou	—	61,200	25.9	2012	36
Tonghu (惠州潼湖項目)	Huizhou	1-4	731,487	195.2	2011	37
Boluo (惠州博羅項目) ^{(3), (5)}	Huizhou	1-10	4,326,319	457.8	2011	40
Wanzai (灣仔項目)	Zhuhai	—	52,808	52.8	2012	26
Guangzhou Jiangnan Boulevard (廣州江南大道) ^{(3), (5)}	Guangzhou	—	53,809	222.6	2011	60
Shuangliu (華陽項目(雙流))	Chengdu	1-3	767,197	349.2	2011	30
Lijing Harbor (麗晶港)	Chengdu	2-6	510,646	392.8	2011	31
Chengdu Shangmao Garden (成都商貿園)	Chengdu	1-2	493,095	110.0	2011	41
Changsha Lake View Place (長沙水岸新都)	Changsha	2-6	1,605,647	336.9	2011	33
Jiangyin Lake View Place (江陰水岸新都)	Jiangyin	3	166,521	335.7	2011	34
Jiangyin Zongbu Garden (江陰總部經濟園) ^{(3), (6)}	Jiangyin	1-3	465,990	92.9	2011	61
Shanghai Shanhuwan Garden (上海珊瑚灣雅園)	Shanghai	2-4	122,680	109.7	2010	35
Total			10,840,538	3,799.2		

Notes:

- (1) The land costs incurred are calculated based on our internal management records.
- (2) For projects with multiple phases, the estimated time for completing the first phase of the project.
- (3) We have not obtained land use rights certificates for these projects. In the Property Valuation Report, these properties are assigned no commercial value.
- (4) We have signed the land grant contract with the relevant government authority and paid the land premium in full. We will apply for the land use rights certificate upon completion of the demolition and resettlement work.
- (5) We have signed the land grant contract with the relevant government authority. We will pay the land premium in full and apply to the relevant government authority for the land use rights certificate.
- (6) We have obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale process. We will enter into a land grant contract with the relevant government authority and apply for the land use rights certificate after the conditions under the land grant contract have been satisfied.

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The site area information in this document is derived on the following basis:

- before a land use rights certificate has been issued, the site area information in respect of the related development or phase is derived from figures set out in the relevant land grant contract or the preliminary approval documents (excluding the areas earmarked for public infrastructure and facilities); and
- if a land use rights certificate has been issued, the site area information relating to the relevant development or phase of the development is derived from the land use rights certificate.

The commencement time for each project or project phase refers to the date or estimated date for beginning construction of the first building.

The completion time for each project or project phase refers to the date on which the completion certificate is duly issued.

If no pre-sale permit has been issued, the pre-sale commencement time is estimated based on our management’s best belief and knowledge. These estimates do not represent commitments and are subject to change.

If no completion certificate has been issued, the completion time is estimated based on our management’s best belief and knowledge. These estimates do not represent commitments and are subject to change.

A property is considered sold when the risks and rewards of property are transferred to the purchasers, which occurs when the construction of relevant property has been completed, the property has been delivered to the purchasers and collectibility of related receivables is reasonably assured.

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DESCRIPTION OF OUR PROPERTY DEVELOPMENT PROJECTS

The following are detailed descriptions of our 31 property development projects.

Projects in the City of Shenzhen in the Pearl River Delta region

(1) Woodland Height (桂芳園)

Woodland Height is located in Buji Town, Shenzhen. This project occupies an aggregate site area of approximately 160,514 sq.m. with a total GFA of approximately 580,135 sq.m. It is an integrated residential complex which comprises eight low-rise and 25 medium-rise apartment buildings with comprehensive ancillary facilities. Woodland Height also includes one mixed-use commercial building, one clubhouse and one kindergarten.



As of September 30, 2009, we had completed development of all eight phases of Woodland Height. We completed Woodland Height Phase 8 in September 2006. Our Woodland Height project comprised 5,772 residential units with a saleable GFA of approximately 471,279 sq.m., 1,997 commercial units with a saleable GFA of approximately 34,677 sq.m. and 976 car parking spaces. As of September 30, 2009, except for 132 commercial units with a saleable GFA of approximately 7,096 sq.m., all residential units with a saleable GFA of approximately 471,279 sq.m. and 1,865 commercial units with a saleable GFA of approximately 27,571 sq.m. had been sold.

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(2) *Mocha Town* (可園)

Mocha Town is located in Buji Town, Shenzhen. This project occupies an aggregate site area of approximately 185,724 sq.m. with a total GFA of approximately 735,299 sq.m. It is an integrated residential complex which comprises primarily two low-rise apartment buildings, two medium-rise apartment buildings and 17 medium-rise apartment buildings with comprehensive ancillary facilities. It also includes complementary commercial facilities and two clubhouses, one of which is for commercial use. In addition, the complex has two kindergartens and one primary-to-middle school. The project is divided into seven phases.



As of September 30, 2009, we had completed seven phases of Mocha Town. We completed Mocha Town Phase 7 in November 2008. Our seven completed project phases comprise 5,407 residential units with a saleable GFA of approximately 545,231 sq.m., 836 commercial units with a saleable GFA of approximately 19,639 sq.m. and 3,474 car parking spaces. As of September 30, 2009, except for 20 residential units with a saleable GFA of approximately 1,788 sq.m. and 51 commercial units with a saleable GFA of approximately 3,918 sq.m., 5,387 residential units with a saleable GFA of approximately 543,443 sq.m. and 785 commercial units with a saleable GFA of approximately 15,721 sq.m. had been sold.

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(3) *Shenzhen Kaisa Center* (深圳佳兆業中心)

Shenzhen Kaisa Center is located in the CITIC business area in Futian District, Shenzhen. This project occupies an aggregate site area of approximately 5,966 sq.m. with a total GFA of approximately 98,241 sq.m. It is a residential-commercial integrated project which comprises one high-rise building which includes serviced apartments and commercial properties such as retail stores and restaurants.



We commenced development of Shenzhen Kaisa Center in November 2005 and completed it in August 2006. Shenzhen Kaisa Center project comprises 1,564 serviced apartments with a saleable GFA of approximately 61,932 sq.m., commercial space with a saleable GFA of approximately 22,819 sq.m. and 260 car parking spaces. As of September 30, 2009, except for 10 residential units with a saleable GFA of approximately 373 sq.m., 1,554 residential units with a saleable GFA of approximately 61,559 sq.m. had been sold. We have retained substantially all the commercial space for the long term investment purposes. As of September 30, 2009, commercial space with a total GFA of approximately 21,022 sq.m. had been leased.

BUSINESS

(4) *Shenzhen Lake View Place (深圳水岸新都)*

Shenzhen Lake View Place is located in Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 182,064 sq.m. with a total GFA of approximately 388,626 sq.m. It is an integrated residential complex which comprises low-rise and high-rise apartment buildings, townhouses, stack townhouses and commercial facilities. The project is divided into five phases.



As of September 30, 2009, we had completed all five phases of Shenzhen Lake View Place. We completed Shenzhen Lake View Place Phase 1 in October 2006, Phase 2 in October 2007, Phase 3 in October 2008 and Phase 4 and 5 in December 2008. The completed project phases comprise townhouses and stack townhouses with a saleable GFA of approximately 33,023 sq.m., apartment units with a saleable GFA of approximately 237,870 sq.m., commercial space with a saleable GFA of approximately 26,356 sq.m. and 2,526 car parking spaces. As of September 30, 2009, except for 184 residential units with a saleable GFA of approximately 18,438 sq.m. and 69 commercial units with a saleable GFA of approximately 18,378 sq.m., residential space with a saleable GFA of approximately 252,455 sq.m. and commercial space with a saleable GFA of approximately 7,978 sq.m. had been sold.

BUSINESS

(5) *Xiangrui Garden* (香瑞園)

Xiangrui Garden is located in Nanshan District, Shenzhen. This project occupies an aggregate site area of approximately 57,984 sq.m. with a total GFA of approximately 143,796 sq.m. Xiangrui Garden is an integrated residential complex which comprises three low-rise and eight high-rise apartment buildings and townhouses with ancillary facilities.



We commenced development of Xiangrui Garden in November 2007 and completed a portion of this project with a total GFA of 67,294 sq.m. in December 2008 and the remaining portion with a total GFA of 76,502 sq.m. in February 2009. The project comprises residential space with a total GFA of approximately 98,523 sq.m. and commercial space with a total GFA of approximately 2,511 sq.m. As of September 30, 2009, except for 75 residential units with a saleable GFA of approximately 10,900 sq.m., 907 residential units with a saleable GFA of approximately 87,623 sq.m. had been sold. No commercial units had been sold as of September 30, 2009.

BUSINESS

(6) *Mingcui Garden* (茗萃園)

Mingcui Garden is located in Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 102,375 sq.m. with a total GFA of approximately 389,839 sq.m. Mingcui Garden is expected to be a residential-commercial integrated project which comprises 14 high-rise apartment buildings with commercial facilities. The project is divided into four phases.



We commenced development of Mingcui Garden Phases 1 and 2 in July 2007 and November 2007 and completed them in November 2008 and August 2009, respectively. The two phases comprise residential space with a saleable GFA of approximately 192,421 sq.m. and commercial space with a saleable GFA of approximately 20,873 sq.m. As of September 30, 2009, except for 405 residential units with a saleable GFA of approximately 33,982 sq.m. and 116 commercial units with a saleable GFA of approximately 13,823 sq.m., we had sold 1,924 residential units with a saleable GFA of approximately 101,519 sq.m. and 32 commercial units with a saleable GFA of approximately 7,050 sq.m.

As of September 30, 2009, Mingcui Garden Phase 3 was under development. We commenced development of Mingcui Garden Phase 3 in February 2009 and expect to complete it in July 2011. Phase 3 is expected to comprise residential space with a total GFA of approximately 61,604 sq.m. and commercial space with a total GFA of approximately 7,642 sq.m. We expect to obtain the pre-sale permit for Mingcui Garden Phase 3 in April 2010. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30, 2009 for Mingcui Garden Phase 3 were approximately RMB210.9 million. We estimate that an additional amount of approximately RMB117.1 million is required to complete development of Mingcui Garden Phase 3. For further information, please refer to Property No. 13 in the Property Valuation Report in Appendix IV to this document.

As of September 30, 2009, Mingcui Garden Phase 4 was held for future development. It is expected to comprise commercial space with a total GFA of approximately 11,530 sq.m. Based on our internal management records, the total development costs (including land costs only) incurred as of September 30, 2009 for Mingcui Garden Phase 4 were approximately RMB13.2 million. For further information, please refer to Property No. 25 in the Property Valuation Report in Appendix IV to this document.

BUSINESS

(7) Jincui Garden (金翠園)

Jincui Garden is located in Luohu District, Shenzhen. This project occupies an aggregate site area of approximately 9,066 sq.m. with a total GFA of approximately 104,285 sq.m. Jincui Garden is expected to be a residential-commercial integrated project which comprises primarily four high-rise buildings.



As of September 30, 2009, Jincui Garden was under development. We commenced development of Jincui Garden in September 2008 and expect to complete it in November 2010. The project is expected to comprise residential space with a total GFA of approximately 41,017 sq.m. and retail space with a total GFA of approximately 5,021 sq.m. We commenced pre-sale of Jincui Garden in September 2009. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30, 2009 for Jincui Garden were approximately RMB335.3 million. We estimate that an additional amount of approximately RMB742.8 million is required to complete development of Jincui Garden. For further information, please refer to Property No. 18 in the Property Valuation Report in Appendix IV to this document.

BUSINESS

(8) *Shangpin Garden* (上品雅園)

Shangpin Garden is located in Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 45,829 sq.m. with a total GFA of approximately 230,923 sq.m. Shangpin Garden is expected to be an integrated residential project which comprises primarily high-rise apartment buildings with retail space. It will also include one kindergarten.



As of September 30, 2009, Shangpin Garden was under development. We commenced development of Shangpin Garden in June 2008 and we expect to complete it in September 2010. The project is expected to comprise residential space with a saleable GFA of approximately 147,763 sq.m. and retail space with a saleable GFA of approximately 7,468 sq.m. We commenced pre-sale of Shangpin Garden in July 2009. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30, 2009 for Shangpin Garden were approximately RMB464.9 million. We estimate that an additional amount of approximately RMB466.6 million is required to complete development of Shangpin Garden. For further information, please refer to Property No. 23 of the Property Valuation Report in Appendix IV to this document.

(9) *Li Langlu* (李朗路項目)

Li Langlu is located in Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 69,941 sq.m. and a total GFA of approximately 104,910 sq.m.

As of September 30, 2009, Li Langlu was held for future development. Due to the planned construction of Xiamen-Shenzhen Railway, which may affect Li Langlu, the local urban planning authority has temporarily suspended its review of our application for the construction land planning permit for Li Langlu. According to our PRC legal adviser, the land for Li Langlu will not be subject to land idle fee or reclamation by the government without compensation as the delay in construction was due to government action in connection with the planned railway construction. Based on our internal management records, the total development costs (including land costs only) incurred as of September 30, 2009 for this project were approximately RMB27.5 million. For further information, please refer to Property No. 27 of the Property Valuation Report in Appendix IV to this document.

BUSINESS

(10) *Fenglong Center* (豐隆中心)

Fenglong Center is located at Shennan Avenue in Futian District, Shenzhen. Shenzhen Science Museum, Shenzhen Commercial Bank Building and the subway are in the vicinity of this project. Fenglong Center occupies an aggregate site area of approximately 14,411 sq.m. with a total GFA of approximately 142,000 sq.m., in which a site area of approximately 7,018 sq.m. with a total GFA of approximately 69,154 sq.m. will be attributable to us if the land use rights certificate is duly issued. Fenglong Center is expected to comprise one high-rise office building with one large dining area and retail space.

As of September 30, 2009, Fenglong Center was held for future development. This project will be jointly developed by our majority owned subsidiary, Fenglong Group and Shenzhen City Construction Development (Group) Co., Ltd. (深圳市城市建設開發(集團)公司) (“Shenzhen Chengjian”), an independent third party. We hold a 55% equity interest in Fenglong Group. The remaining 44% equity interest is held by Fitter Holdings Limited (飛達集團有限公司), and 1% is held by Shenzhen Development Bank Bao’An Branch, an independent third party. Fitter Holdings Limited holds more than a 10% equity interest in Fenglong Group and is therefore not an independent third party. Fenglong Group and Shenzhen Chengjian have entered into a land grant contract with the relevant government authority, under which Fenglong Group will hold an 88.5% interest in the land and Shenzhen Chengjian will hold the remaining 11.5% interest. Under the relevant cooperation agreements, Fenglong Group has agreed to provide funds for construction. Shenzhen Chengjian has undertaken substantial preparatory work in connection with the land acquisition and, in consideration of a joint profit sharing arrangement, has agreed to contribute its interest in the parcel of land for this project. The joint profit sharing arrangement was determined with reference to the total GFA of Fenglong Center, under which Fenglong Group will hold an 88.5% interest and Shenzhen Chengjian will hold the remaining 11.5% interest in the project. Fenglong Group was responsible for the total demolition fee. If the land use rights certificate is duly issued, we will hold a 48.7% attributable interest in this project. As of September 30, 2009, the parties had not obtained the relevant land use rights certificate for Fenglong Center. According to our PRC legal adviser, we will be able to obtain the land use rights after (i) the land premium has been paid in full, (ii) the demolition and resettlement work has been completed in accordance with applicable laws and regulations; and (iii) demolition and resettlement costs have been paid in full. Fenglong Group and Shenzhen Chengjian entered into a land grant contract with the Shenzhen Planning and Land Bureau on August 1, 1996. The total payment of RMB66.9 million for the land premium was paid in full in September 2003. The demolition and resettlement work commenced in 1995 and has not been completed due to the significant number of existing residents involved in the relocation and resettlement process. According to the relevant demolition and resettlement permit, the demolition and resettlement work shall be completed by October 18, 2010. As confirmed by our PRC legal adviser, since the land grant contract does not set forth an expiry date and there has been no circumstance leading to the termination, rescission or invalidation of the contract, the land grant contract is legal, valid and enforceable. Based on our internal management records, the total demolition and resettlement costs incurred as of September 30, 2009 were approximately RMB114.4 million. We estimate that an additional amount of approximately RMB37.6 million is required to complete the demolition and resettlement work.

BUSINESS

The project is expected to comprise office space with a total GFA of approximately 100,000 sq.m., a dining area with a total GFA of approximately 10,000 sq.m., retail space with a total GFA of approximately 20,000 sq.m. and 300 car parking spaces. Based on our internal management records, the total development costs (including land costs only) incurred as of September 30, 2009 for this project were approximately RMB264.8 million. For further information, please refer to Property No. 58 in the Property Valuation Report in Appendix IV to this document.

On September 26, 2003, a portion of Fenglong Center with a total GFA of approximately 125,694 sq.m. was seized in connection with the alleged default on a loan in an amount of RMB19.1 million for which Fenglong Group acted as guarantor to the borrower. For further details of the seizure, please see “— Legal Proceedings and Material Claims.”

As of the Latest Practicable Date, except a small number of residents occupying 15 residential units on the project land, we had reached resettlement agreements with most existing residents. We took into consideration the demolition and resettlement process when we acquired our 55% equity interest in Fenglong Group in March 2007. However, the development schedule of this project has been delayed due to the adverse effect of the recent global economic slowdown. Also see the section entitled “Risk Factors — Risks Relating to Our Business — The 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 profitability, business and our ability to obtain necessary financing for our operations” in this document. We expect to complete the demolition and resettlement work by October 2010. When making this estimation of completion time, we take into account (i) the expiry date of the renewed demolition and resettlement permit issued by the relevant land administrative authority in October 2009; (ii) the progress of the resettlement negotiation and the number of existing residents with whom we have not reached resettlement agreements; (iii) our commitment and ability in addressing the needs and concerns of the residents affected by resettlement process; (iv) our plan to pay the portion of the debt and the accrued interest in connection with the default on a loan committed by Fenglong Group prior to our acquisition of its equity interest; and (v) our experience in resettlement and redevelopment projects in Shenzhen. We expect the conditions required for obtaining the land use rights certificate as described above can be satisfied in 2010. We believe the development of Fenglong Center will not be affected by the seizure of the properties to secure the repayment of the loan. As evaluated by independent property valuers, the estimated value of the property in Fenglong Center as of September 30, 2009 was approximately RMB1,554.8 million, had the land use rights certificate been obtained. We hold a 48.7% interest in this project. This estimated value of approximately RMB1,554.8 million is substantially above the total cost of approximately RMB264.8 million incurred by us as of September 30, 2009. Therefore, no impairment provision was made in our financial statements during the Track Record Period.

BUSINESS

(11) *Nan’Ao Kangbao* (南澳康保項目)

Nan’Ao Kangbao is located in Nan’Ao Town, Shenzhen. This project occupies an aggregate site area of approximately 73,305 sq.m. with a total GFA of approximately 44,000 sq.m.



As of September 30, 2009, Nan’Ao Kangbao was held for future development. The permitted use of the land is medical and health use. The project is expected to comprise a rehabilitation and health care center with a total GFA of approximately 41,000 sq.m. Based on our internal management records, the total development costs (including land costs only) incurred as of September 30, 2009 for this project were approximately RMB16.7 million. For further information, please refer to Property No. 32 of the Property Valuation Report in Appendix IV to this document.

BUSINESS

Projects in the city of Guangzhou in the Pearl River Delta region

(12) *Guangzhou Jinmao* (廣州金貿項目)

Guangzhou Jinmao is located in a prime location within Guangzhou’s CBD in Tianhe District. It is close to a subway stop for the No. 1 and No. 3 subway lines and the Guangzhou Eastern Train Station. This project occupies an aggregate site area of approximately 12,788 sq.m. with a total GFA of approximately 149,736 sq.m. Guangzhou Jinmao is a commercial project which comprises primarily one 51-floor twin office building with retail space.



We commenced development of Guangzhou Jinmao in July 2006 and completed it in May 2008. Guangzhou Jinmao comprises office space with a saleable GFA of approximately 100,974 sq.m., retail space with a saleable GFA of approximately 38,202 sq.m. and 674 car parking spaces. As of September 30, 2009, except for office space with a saleable GFA of approximately 9,045 sq.m., office space with a saleable GFA of approximately 91,929 sq.m. had been sold. We have retained a total GFA of 44,958 sq.m., including retail space with a total GFA of approximately 38,202 sq.m. and 574 car parking spaces with a total GFA of approximately 6,756 sq.m. for long-term investment purposes.

BUSINESS

(13) *Guangzhou Kaisa Plaza* (廣州佳兆業廣場)

Guangzhou Kaisa Plaza is located in Guangzhou’s CBD in Tianhe District, Guangzhou. This project occupies an aggregate site area of approximately 7,106 sq.m. with a total GFA of approximately 117,575 sq.m. Guangzhou Kaisa Plaza is expected to be a commercial project which comprises primarily one high-rise office building with retail space.



As of September 30, 2009, Guangzhou Kaisa Plaza was under development. The project is expected to comprise office space with a total GFA of approximately 82,829 sq.m., retail space with a total GFA of approximately 6,866 sq.m. and 464 car parking spaces. We commenced development of Guangzhou Kaisa Plaza in July 2008 and expect to complete it in December 2010. We expect to obtain the pre-sale permit for Guangzhou Kaisa Plaza in May 2010. Based on our internal management records, the total development costs (including land costs construction costs and capitalized finance costs) incurred as of September 30, 2009 for Guangzhou Kaisa Plaza were approximately RMB395.3 million. We estimate that an additional amount of approximately RMB354.7 million is required to complete development of Guangzhou Kaisa Plaza. For further information, please refer to Property No. 14 in the Property Valuation Report in Appendix IV to this document.

On November 3, 2009, we and an independent third party (the “Potential Purchaser”) entered into a memorandum of understanding (the “MOU”) in relation to a possible disposal (the “Possible Disposal”) of our 100% equity interest in Guangzhou Jiasui, the project company for development of Guangzhou Kaisa Plaza. We believe that the Possible Disposal, if completed, would result in a satisfactory yield on our investment in Guangzhou Kaisa Plaza. Under the MOU, the consideration for the acquisition of our equity interest in Guangzhou Jiasui was proposed to be no less than RMB1,850 million, which will be subject to the further negotiation and final consideration as set forth in the formal equity transfer agreement. In addition, the Potential Purchaser intends to assume up to RMB900 million of the development costs (including land costs, construction costs and other related fees and taxes). According to our current development plan and internal management records, the estimated total development costs for Guangzhou Kaisa Plaza are approximately RMB750.0 million. Except for the 60-day exclusive negotiation right by the Potential Purchaser, the MOU does not constitute a legally binding commitment in respect of the Possible Disposal. For more information, see the section entitled “Financial Information — Recent Development” in this document.

BUSINESS

(14) *Guangzhou Jiangnan Boulevard* (廣州江南大道)

Guangzhou Jiangnan Boulevard is located in Haizhu district, Guangzhou. This project occupies an aggregate site area of approximately 8,579 sq.m. with a total GFA of approximately 53,809 sq.m. Guangzhou Jiangnan Boulevard is expected to be an integrated residential complex comprising high-rise apartment buildings and commercial facilities.

As of September 30, 2009, Guangzhou Jiangnan Boulevard was held for future development. We have entered into a land grant contract with the relevant government authority. As of September 30, 2009, we had not obtained the relevant land use rights certificate for Guangzhou Jiangnan Boulevard. According to our PRC legal adviser, we will be able to obtain the land use rights certificate after we (i) pay the land premium in full; (ii) satisfy all conditions under the land grant contract according to applicable laws and regulations, and (iii) pay in full the relevant taxes and fees. Based on our internal management records, we had incurred, as of September 30, 2009, total development costs (including land costs only) of approximately RMB222.6 million. As of September 30, 2009, the total amount of outstanding land premium and the relevant outstanding taxes and fees was approximately RMB104.9 million. We expect to use our internal funds to fully settle the outstanding land premium and relevant taxes and fees by November 2009 and obtain the relevant land use rights certificate for this project by December 2009. For further information, please refer to Property No. 60 in the Property Valuation Report in Appendix IV to this document.

Projects in the City of Dongguan in the Pearl River Delta region

(15) *Zhongyang Haomen* (中央豪門)

Zhongyang Haomen is located in Shilong Town, Dongguan. This project occupies an aggregate site area of approximately 70,938 sq.m. with an estimated total GFA of approximately 387,602 sq.m. It is expected to be an integrated residential project which comprises high-rise residential buildings with retail space. The project is divided into four phases.



BUSINESS

We are jointly developing Zhongyang Haomen with Dongguan Shi Long Town Real Estate Company (東莞市石龍鎮房地產公司) (“Dongguan Shilong”), an independent third party. There are six parcels of land for this project. As of September 30, 2009, we had land use rights certificates for two parcels of land and our joint developer had land use rights certificates for the remaining four parcels of land. Under the previous cooperation arrangements, Dongguan Shilong agreed to transfer to us the land use rights for the parcels of land held by it. We agreed to pay Dongguan Shilong a fixed amount of RMB143.2 million, including RMB136.3 million for the transfer of the land use rights and RMB6.9 million as a management fee. If Dongguan Shilong transfers the land use rights to us, LAT and income tax charges would be payable upon the transfer. Accordingly, we and Dongguan Shilong have decided not to transfer the land use rights for the four parcels of land held by Dongguan Shilong. Under the current arrangement for our cooperative development with Dongguan Shilong, (a) we and Dongguan Shilong agreed to contribute the respective land use rights for the parcels of land for the development of Zhongyang Haomen, (b) we are obligated to pay a fixed amount of RMB136.3 million to Dongguan Shilong for the right to develop the project and an additional amount of RMB6.9 million as a management fee for its participation in the development, (c) we will provide the funding for the development, and (d) we are entitled to 100% of the profits derived from the project and are responsible for payment of LAT arising from the sales of the properties in Zhongyang Haomen. As advised by our PRC legal adviser, even though the land use rights will not be transferred to us, our attributable interest in this project will not be affected, according to the PRC Supreme People’s Court’s Opinion on Issues Concerning the Application of the Law in Trials of State-owned Land Grant Contract Disputes (最高人民法院關於審理涉及國有土地使用權合同糾紛案件適用法律問題的解釋) issued on August 1, 2005. As advised by our PRC legal adviser, this opinion provides that (i) a property project can be jointly developed under a cooperation arrangement under which one party is responsible for providing land use rights and another party is responsible for contributing the development funding, (ii) the land use rights need not be jointly held by both parties, and (iii) only one of the joint developers is required to possess a real estate developer qualification certificate. Dongguan Yingsheng has a real estate developer qualification. The arrangement for our cooperative development with Dongguan Shilong has been approved by the Dongguan Development and Reform Bureau (東莞市發展和改革局). We and Dongguan Shilong have jointly obtained the construction land planning permit, the construction works planning permit and the construction works commencement permit. According to our PRC legal adviser, the development cooperation between us and Dongguan Shilong is in compliance with the relevant PRC laws and regulations. Under the agreement, if the project cannot be developed in a timely manner, or at all, as a result of one party’s fault, the party at fault is liable to compensate the other party for the economic loss caused by the fault. We may seek recourse through the judicial system if Dongguan Shilong defaults under the agreement. Each of Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Kwok Chun Wai has entered into a deed of indemnity in favor of us to provide indemnities against, among other things, any liabilities, losses, damages, penalties and fines which may be suffered by us if Dongguan Shilong defaults under the agreement. As confirmed by our PRC legal adviser, a standard legal procedure for obtaining individual property ownership certificates is applicable under the relevant PRC laws and regulations, regardless of whether a project is developed by a single developer or joint developers, or whether the land use rights are held by one developer or by joint developers in a joint development project. See the section entitled “Summary of Principal Legal and Regulatory Provisions — Transfer of Real Estate” in Appendix V to this document. We and Dongguan Shilong will assist the prospective purchasers of properties in Zhongyang Haomen in obtaining their individual property ownership certificates in accordance with the terms of the sales and purchase contracts and under the requirements of the relevant PRC laws and regulations.

BUSINESS

We completed Zhongyang Haomen Phase 1 in June 2009. Zhongyang Haomen Phase 1 comprises residential space with a total GFA of approximately 60,834 sq.m. and commercial space with a total GFA of approximately 6,611 sq.m. As of September 30, 2009, except for 37 residential units with a saleable GFA of approximately 6,150 sq.m. and 20 commercial units with a saleable GFA of approximately 5,367 sq.m., 434 residential units with a saleable GFA of approximately 54,684 sq.m. and 13 commercial units with a saleable GFA of approximately 1,244 sq.m. had been sold.

As of September 30, 2009, Zhongyang Haomen Phase 2 and Phase 3 were under development. We commenced development of Zhongyang Haomen Phase 2 in June 2008 and Phase 3 in August 2009, and expect to complete Phase 2 in December 2009 and Phase 3 in October 2011. The two phases are expected to comprise residential space with a saleable GFA of approximately 146,413 sq.m. and commercial space with a saleable GFA of approximately 8,060 sq.m. We commenced pre-sale of Zhongyang Haomen Phase 2 in October 2008 and expect to obtain the pre-sale permit for Phase 3 in May 2010. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30, 2009 for Zhongyang Haomen Phase 2 and Phase 3 were approximately RMB207.8 million. We estimate that an additional amount of approximately RMB488.4 million is required to complete development of Zhongyang Haomen Phase 2 and Phase 3. For further information, please refer to Property No. 15 in the Property Valuation Report in Appendix IV to this document.

As of September 30, 2009, Zhongyang Haomen Phase 4 was held for future development. Phase 4 is expected to comprise a total GFA of approximately 143,583 sq.m. Based on our internal management records, the total development costs (including land costs only) incurred as of September 30, 2009 for Zhongyang Haomen Phase 4 were approximately RMB47.7 million. For further information, please refer to Property No. 28 in the Property Valuation Report in Appendix IV to this document.

(16) *Dongjiang Haomen* (東江豪門)

Dongjiang Haomen is located in Qishi Town, Dongguan. This project occupies an aggregate site area of approximately 86,324 sq.m. with a total GFA of approximately 262,060 sq.m. Dongjiang Haomen is expected to be an integrated residential complex which comprises high-rise apartment buildings, townhouses and commercial facilities. The project is divided into three phases.



BUSINESS

As of September 30, 2009, Dongjiang Haomen Phase 1 was under development. We commenced development of Dongjiang Haomen Phase 1 in January 2009 and expect to complete it in September 2011. Dongjiang Haomen Phase 1 is expected to comprise residential space with a total GFA of approximately 57,181 sq.m. and commercial space with a total GFA of approximately 1,326 sq.m. We expect to obtain the pre-sale permit for Dongjiang Haomen Phase 1 in February 2010. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30, 2009 were approximately RMB77.0 million. We estimate that an additional amount of approximately RMB111.1 million is required to complete development of Dongjiang Haomen Phase 1. For further information, please refer to Property No. 20 in the Property Valuation Report in Appendix IV to this document.

As of September 30, 2009, Dongjiang Haomen Phase 2 and Phase 3 were held for future development. Based on our internal management records, the total development costs (including land costs only) incurred as of September 30, 2009 for this project were approximately RMB182.4 million. For further information, please refer to Property No. 39 in the Property Valuation Report in Appendix IV to this document.

(17) *Dijingwan* (帝景灣)

Dijingwan is located in Shilong Town, Dongguan. This project occupies an aggregate site area of approximately 43,884 sq.m. with an estimated total GFA of approximately 122,118 sq.m. It is expected to be an integrated residential project.



BUSINESS



We are jointly developing Dijingwan with Dongguan Shi Long Town Real Estate Company (東莞市石龍鎮房地產公司) (“Dongguan Shilong”), an independent third party. Dongguan Shilong holds the land use rights certificates for the land. Under the relevant cooperative arrangements, (a) Dongguan Shilong agreed to contribute the relevant land use rights for the development of the project, (b) we are obligated to pay a fixed amount of RMB93.9 million to Dongguan Shilong for the right to develop the project, (c) we will provide the funding for the development, and (d) we are entitled to 100% of the profits derived from the project and are responsible for payment of LAT arising from the sales of the properties in Dijingwan. The arrangement for our cooperative development with Dongguan Shilong has been approved by the Dongguan Development and Reform Bureau (東莞市發展與改革局). We and Dongguan Shilong have jointly obtained the construction land planning permit, the construction works planning permit and the construction works commencement permit. According to our PRC legal adviser, the development cooperation between us and Dongguan Shilong is in compliance with the relevant PRC laws and regulations. Under the agreement, if the project cannot be developed in a timely manner, or at all, as a result of one party’s fault, the party at fault is liable to compensate the other party for the economic loss caused by the fault. We may seek recourse through the judicial system if Dongguan Shilong defaults under the agreement. Each of Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Kwok Chun Wai has entered into a deed of indemnity in favor of us to provide indemnities against, among other things, any liabilities, losses, damages, penalties and fines which may be suffered by us if Dongguan Shilong defaults under the agreement. As confirmed by our PRC legal adviser, a standard legal procedure for obtaining individual property ownership certificates is applicable under the relevant PRC laws and regulations, regardless of whether a project is developed by a single developer or joint developers, or whether the land use rights are held by one developer or by joint developers in a joint development project. See the section entitled “Summary of Principal Legal and Regulatory Provisions — Transfer of Real Estate” in Appendix V to this document. We and Dongguan Shilong will assist the prospective purchasers of properties in Dijingwan in obtaining their individual property ownership certificates in accordance with the terms of the sales and purchase agreements and under the requirements of the relevant PRC laws and regulations.

BUSINESS

As of September 30, 2009, Dijingwan was under development. We commenced the development of Dijingwan in April 2008 and expect to complete it in March 2010. Dijingwan is expected to comprise residential space with a saleable GFA of approximately 112,143 sq.m. We commenced pre-sales of Dijingwan in December 2008. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30, 2009 for this project were approximately RMB304.5 million. We estimate that an additional amount of approximately RMB182.4 million will be required to complete development of Dijingwan. For further information, please refer to Property No. 17 in the Property Valuation Report in Appendix IV to this document.

(18) *Yantian (雁田)*

Yantian is located in Fenggang Town, Dongguan. This project occupies an aggregate site area of approximately 54,548 sq.m. with a total GFA of approximately 136,370 sq.m. Yantian is expected to be an integrated residential complex which comprises high-rise apartment buildings and commercial facilities. The project is expected to be divided into two phases.

We will jointly develop Yantian with Dongguan Fenggang Yantian Enterprise Development Company (東莞市風崗雁田企業發展公司) (“Dongguan Fenggang”). Dongguan Fenggang is a collectively owned company. In July 2008, we and Dongguan Fenggang jointly established Dongguan Yingyan as the project company to develop this project. For more details of Dongguan Fenggang and Dongguan Yingyan, see the sections entitled “History, Reorganization and Group Structure — Reorganization — Transactions relating to the project companies” and “Substantial Shareholders” in this document. Under the relevant cooperative arrangements, (a) Dongguan Yingyan has registered capital of RMB10.0 million, of which 80% was contributed by us in cash and 20% was contributed by Dongguan Fenggang in cash; (b) of the seven board directors of Dongguan Yingyan, five (including the chairman) are designated by us and two are designated by Dongguan Fenggang; (c) both general manager and manager of finance of Dongguan Yingyan were appointed by us and are responsible for the daily management and financial management of the company; (d) we will bear 80% of the total development costs and liabilities and Dongguan Fenggang will bear the rest 20% in proportion to the respective shareholdings of Dongguan Yingyan; and (e) we are entitled to 80% of the profits derived from the project and Dongguan Fenggang is entitled to 20% of the profits according to the respective shareholdings of Dongguan Yingyan.

As of September 30, 2009, Yantian was held for future development. We have entered into a land grant contract with the relevant government authority. As of September 30, 2009, we had not obtained the relevant land use rights certificate for Yantian. According to our PRC legal adviser, we will be able to obtain the land use rights certificate after we (i) pay the land premium in full, (ii) satisfy all conditions under the land grant contract according to applicable laws and regulations, and (iii) pay in full the relevant taxes and fees. Based on our internal management records, we had incurred, as of September 30, 2009, the total development costs (including land costs only) of approximately RMB20.0 million. As of September 30, 2009, the total amount of outstanding land premium and the relevant outstanding taxes and fees was approximately RMB131.7 million. We expect to use our internal funds to fully settle the outstanding land premium and relevant taxes and fees by December 2009 and obtain the relevant land use rights certificate for this project by January 2010. For further information, please refer to Property No. 59 in the Property Valuation Report in Appendix IV to this document.

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Pursuant to the cooperation arrangement between us and Dongguan Fenggang, Dongguan Yingyan participated in the auction for the land adjacent to the land for the Yantian project on October 29, 2009. Dongguan Yingyan successfully acquired the land as the winner of the auction and entered into the land grant contract with the local land resources bureau. This parcel of land occupies a site area of 16,186 sq.m. and will be included in our project land for the development of Yantian. As of October 31, 2009, the total land acquisition costs incurred was RMB33.8 million and the total amount of outstanding land premium and the relevant outstanding taxes and fees was approximately RMB13.1 million. We expect to use our internal funds to fully settle the outstanding land premium and relevant taxes and fees by October 2010 and obtain the relevant land use rights certificate for this project by November 2010.

Projects in the City of Huizhou in the Pearl River Delta region

(19) *Jincheng Heights* (錦城山莊)

Jincheng Heights is located in Huicheng District, Huizhou. This project occupies an aggregate site area of approximately 89,998 sq.m. with a total GFA of approximately 267,995 sq.m. Jincheng Heights is expected to be an integrated residential project which comprises primarily high-rise apartment buildings, and complementary commercial properties. The project is expected to be divided into two phases.

As of September 30, 2009, Jincheng Heights was held for future development. Based on our internal management records, we had incurred, as of September 30, 2009, the total development costs (including land costs and pre-construction land levelling costs) of approximately RMB144.6 million. For further information, please refer to Property No. 29 in the Property Valuation Report in Appendix IV to this document.

(20) *Huizhou Kaisa Center* (惠州佳兆業中心)

Huizhou Kaisa Center is located in Jiangbei District, Huizhou. It is close to the Huizhou Municipal Government building. This project occupies an aggregate site area of approximately 69,044 sq.m. with a total GFA of approximately 539,686 sq.m. Huizhou Kaisa Center is expected to be a residential-commercial integrated project which comprises primarily high-rise apartment buildings and complementary commercial properties. The project is divided into three phases.

As of September 30, 2009, Huizhou Kaisa Center Phase 1 was under development. We commenced development of Huizhou Kaisa Center Phase 1 in August 2009 and expect to complete it in September 2011. Huizhou Kaisa Center Phase 1 is expected to comprise residential space with a total GFA of approximately 63,964 sq.m. and commercial space with a total GFA of approximately 10,908 sq.m. We expect to obtain pre-sale permit for Huizhou Kaisa Center Phase 1 in May 2010. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30, 2009 were approximately RMB242.8 million. We estimate that an additional amount of approximately RMB89.0 million is required to complete development of Huizhou Kaisa Center Phase 1. For further information, please refer to Property No. 19 in the Property Valuation Report in Appendix IV to this document.

As of September 30, 2009, Huizhou Kaisa Center Phase 2 and Phase 3 were held for future development. The phases for future development are expected to comprise residential space with a total GFA of approximately 264,451 sq.m., office space with a total GFA of approximately 100,000 sq.m., a

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hotel with a total GFA of approximately 13,000 sq.m. and retail space with a total GFA of approximately 27,821 sq.m. Based on our internal management records, the total development costs (including land costs only) incurred as of September 30, 2009 for Huizhou Kaisa Center Phase 2 and Phase 3 were approximately RMB424.8 million. For further information, please refer to Property No. 38 in the Property Valuation Report in Appendix IV to this document.

(21) *Yuan Zhou* (園洲項目)

Yuan Zhou is located in Yuan Zhou Town, Huizhou. This projects occupies an aggregate site area of approximately 20,400 sq.m. with a total GFA of approximately 61,200 sq.m. Yuan Zhou is expected to be a residential project.

As of September 30, 2009, Yuan Zhou was held for future development. Based on our internal management records, the total development costs (including land costs only) incurred, as of September 30, 2009, for Yuan Zhou were approximately RMB25.9 million. For further information, please refer to Property No. 36 in the Property Valuation Report in Appendix IV to this document.

(22) *Tonghu* (惠州潼湖項目)

Tonghu is located in Tonghu Town, Huizhou. This project occupies an aggregate site area of approximately 731,487 sq.m. with a total GFA of approximately 731,487 sq.m. Tonghu is expected to be a residential project. The project is expected to be divided into four phases.

As of September 30, 2009, Tonghu was held for future development. Based on our internal management records, we had incurred, as of September 30, 2009, the total development costs (including land costs and pre-construction land levelling costs) of approximately RMB195.4 million in connection with the land acquisition for Tonghu. For further information, please refer to Property No. 37 in the Property Valuation Report in Appendix IV to this document.

(23) *Boluo* (惠州博羅項目)

Boluo is located in the city of Boluo County, Huizhou. This project occupies an aggregate site area of approximately 1,663,969 sq.m. with a total GFA of approximately 4,326,319 sq.m. Boluo is expected to be a residential project. The project is expected to be divided into 10 phases.

As of September 30, 2009, Boluo was held for future development. We have acquired the land use rights with respect to a portion of the land for this project with a site area of approximately 393,627 sq.m. With respect to the remaining portion of the land, we entered into a land grant contract with the relevant government authority. According to our PRC legal adviser, under applicable laws and regulations, we will be able to obtain the land use rights certificate after we (i) pay the land premium in full, (ii) satisfy all conditions under the land grant contract according to applicable laws and regulations, and (iii) pay in full the relevant taxes and fees. As of September 30, 2009, we had not received the land use rights certificate for the remaining portion of the land. Based on our internal management records, we had incurred, as of September 30, 2009, the total development costs (including land costs only) of approximately RMB457.8 million in connection with the land acquisition for Boluo. As of September 30, 2009, the total amount of outstanding land premium and the relevant outstanding taxes and fees was approximately RMB459.0 million, including RMB115.0 million for a portion of the project land with a site area of approximately 519,500 sq.m. and RMB344.0 million for the remaining portion of the project

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land with a site area of approximately 750,842 sq.m. We expect to use our internal funds to fully settle the outstanding land premium and relevant taxes and fees for these two portions of project land by June 2010 and February 2011, respectively, and obtain the relevant land use rights certificate by July 2010 and March 2011, respectively. For further information, please refer to Property No. 40 in the Property Valuation Report in Appendix IV to this document.

Project in the City of Zhuhai in the Pearl River Delta region

(24) Wanzai (灣仔項目)

Wanzai is located in Wanzai District, Zhuhai and expected to be an integrated residential project. This project occupies an aggregate site area of approximately 21,123 sq.m. with a total GFA of approximately 52,808 sq.m.

As of September 30, 2009, Wanzai was held for future development. We have acquired the total net assets of a collectively owned entity which holds the land use rights for Wanzai. Based on our internal management records, the total development costs (including land costs and pre-construction land levelling costs) incurred, as of September 30, 2009, for Wanzai were approximately RMB55.2 million. For further information, please refer to Property No. 26 in the Property Valuation Report in Appendix IV to this document.

Projects in the City of Chengdu in the Chengdu-Chongqing region

(25) Shuangliu (華陽項目(雙流))

Shuangliu is located in Huayang Town, Shuangliu County, Chengdu. This project occupies an aggregate site area of approximately 182,666 sq.m. with a total GFA of approximately 767,197 sq.m. Shuangliu is expected to be a residential project which comprises primarily 39 high-rise apartment buildings. It is also expected to include one clubhouse and one kindergarten. This project is expected to be divided into three phases.

As of September 30, 2009, Shuangliu was held for future development. Based on our internal management records, the total development costs (including land costs and pre-construction land levelling costs) incurred, as of September 30, 2009, for Shuangliu were approximately RMB351.3 million. For further information, please refer to Property No. 30 in the Property Valuation Report in Appendix IV to this document.

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(26) *Lijing Harbor (麗晶港)*

Lijing Harbor is located in Wenjiang District, Chengdu. This project occupies an aggregate site area of approximately 150,071 sq.m. with a total GFA of approximately 716,465 sq.m. Lijing Harbor is expected to be a residential project which comprises primarily apartment buildings. It will also include one clubhouse and one kindergarten. This project is expected to be divided into six phases.



As of September 30, 2009, Lijing Harbor Phase 1 was under development. We commenced development of Lijing Harbor Phase 1 in August 2008 and expect to complete it in December 2010. Lijing Harbor Phase 1 is expected to comprise residential space with a saleable GFA of approximately 198,907 sq.m. We commenced pre-sale of Lijing Harbor Phase 1 in August 2008. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30, 2009 were approximately RMB492.7 million. We estimate that an additional amount of approximately RMB344.0 million is required to complete development of Lijing Harbor Phase 1. For further information, please refer to Property No. 21 in the Property Valuation Report in Appendix IV to this document.

As of September 30, 2009, Lijing Harbor Phases 2, 3, 4, 5 and 6 were held for future development. Based on our internal management records, the total development cost (including land costs only) incurred, as of September 30, 2009, for Lijing Harbor Phases 2, 3, 4, 5 and 6 was approximately RMB392.8 million. For further information, please refer to Property No. 31 in the Property Valuation Report in Appendix IV to this document.

(27) *Chengdu Shangmao Garden (成都商貿園)*

Chengdu Shangmao Garden is located in Shangmao Garden District, Chengdu. This project occupies an aggregate site area of approximately 133,269 sq.m. with a total GFA of approximately 493,095 sq.m. Chengdu Shangmao Garden is expected to be an integrated commercial complex which comprises a 39-meter high building which will include office space, retail space and one hotel. The project is expected to be divided into two phases.

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As of September 30, 2009, Chengdu Shangmao Garden was held for future development. The project is expected to comprise commercial space with a total GFA of approximately 373,153 sq.m. and residential space with a total GFA of approximately 117,175 sq.m. Based on our internal management records, we had incurred, as of September 30, 2009, the total development costs (including land costs and pre-construction land levelling costs) of approximately RMB122.1 million in connection with the land acquisition for Chengdu Shangmao Garden. For further information, please refer to Property No. 41 in the Property Valuation Report in Appendix IV to this document.

Project in the City of Changsha in the Central China region

(28) Changsha Lake View Place (長沙水岸新都)

Changsha Lake View Place is located in Changsha Town in the city of Changsha. This project occupies an aggregate site area of approximately 673,536 sq.m. with a total GFA of approximately 1,685,702 sq.m. Changsha Lake View Place is expected to be a residential project which comprises low-rise and high-rise apartment buildings, townhouses and stack townhouses. This project is divided into six phases.

As of September 30, 2009, Changsha Lake View Place Phase 1 was under development. We commenced development of Changsha Lake View Place Phase 1 in September 2009 and expect to complete it in September 2010. Changsha Lake View Place Phase 1 is expected to comprise residential space with a total GFA of approximately 75,508 sq.m. We expect to obtain pre-sale permit for Changsha Lake View Place Phase 1 in April 2010. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30, 2009 were approximately RMB61.2 million. We estimate that an additional amount of approximately RMB187.9 million is required to complete development of Changsha Lake View Place Phase 1. For further information, please refer to Property No. 24 in the Property Valuation Report in Appendix IV to this document.

As of September 30, 2009, Changsha Lake View Place Phases 2–6 were held for future development. Based on our internal management records, total development costs (including land costs only) incurred as of September 30, 2009 for Changsha Lake View Place Phases 2–6 were approximately RMB336.9 million. For further information, please refer to Property No. 33 in the Property Valuation Report in Appendix IV to this document.

Projects in the Yangtze River Delta region

(29) Jiangyin Lake View Place (江陰水岸新都)

Jiangyin Lake View Place is located in the city of Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 225,530 sq.m. with a total GFA of approximately 338,295 sq.m. Jiangyin Lake View Place is expected to be a residential project which comprises primarily high-rise apartment buildings and townhouses. The project is divided into three phases.

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We commenced development of Jiangyin Lake View Place Phase 1 in June 2008 and completed a portion with a total GFA of 71,254 sq.m. in April 2009 and the remaining portion with a total GFA of 36,733 sq.m. in July 2009. Jiangyin Lake View Place Phase 1 comprises 346 residential units with a saleable GFA of approximately 87,129 sq.m. and 692 car parking spaces. As of September 30, 2009, except for 124 residential units with a saleable GFA of approximately 29,128 sq.m., 222 residential units with a saleable GFA of approximately 58,001 sq.m. had been sold.

As of September 30, 2009, Jiangyin Lake View Place Phase 2 was under development. We commenced development of Jiangyin Lake View Place Phase 2 in July 2009 and expect to complete it in June 2011. Jiangyin Lake View Place Phase 2 is expected to comprise residential space with a saleable GFA of approximately 47,152 sq.m. and commercial space with a saleable GFA of approximately 5,415 sq.m. We expect to obtain pre-sale permit for Jiangyin Lake View Place Phase 2 in November 2009. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30, 2009 were approximately RMB201.3 million. We estimate that an additional amount of approximately RMB87.2 million is required to complete development of Jiangyin Lake View Place Phase 2. For further information, please refer to Property No. 16 in the Property Valuation Report in Appendix IV to this document.

As of September 30, 2009, Jiangyin Lake View Place Phase 3 was held for future development. Jiangyin Lake View Place Phase 3 is expected to comprise residential space with a total GFA of approximately 146,760 sq.m. and commercial space with a total GFA of approximately 5,329 sq.m. Based on our internal management records, the total development costs (including land costs and pre-construction land levelling costs) incurred as of September 30, 2009 for Jiangyin Lake View Place Phase 3 were approximately RMB335.7 million. For further information, please refer to Property No. 34 in the Property Valuation Report in Appendix IV to this document.

(30) *Jiangyin Zongbu Garden (江陰總部經濟園)*

Jiangyin Zongbu Garden is located in the city of Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 158,240 sq.m. with a total GFA of approximately 465,990 sq.m. Jiangyin Zongbu Garden is expected to be a residential-commercial complex which comprises apartment buildings, office space, commercial properties and a hotel. This project is expected to be divided into three phases.

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As of September 30, 2009, Jiangyin Zongbu Garden was held for future development. We obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale of the land for Jiangyin Zongbu Garden in September 2009. According to our PRC counsel, under applicable laws and regulations, we will be able to obtain a land use rights certificate after we (i) enter into a land grant contract pursuant to the confirmation, (ii) pay the land premium in full, (iii) satisfy all conditions under the land grant contract according to applicable laws and regulations, and (iv) pay the relevant taxes and fees in full. Based on our internal management records, we had incurred, as of September 30, 2009, total development costs (including land costs only) of approximately RMB92.9 million for Jiangyin Zongbu Garden. As of September 30, 2009, the total amount of outstanding land premium and the relevant outstanding taxes and fees was approximately RMB383.4 million. We expect to use our internal funds to fully settle the outstanding land premium and relevant taxes and fees by June 2010 and obtain the relevant land use rights certificate for this project by July 2010. For further information, please refer to Property No. 61 in the Property Valuation Report in Appendix IV to this document.

(31) *Shanghai Shanhuwan Garden (上海珊瑚灣雅園)*

Shanghai Shanhuwan Garden is located in Fengxian District, Shanghai. This project occupies an aggregate site area of approximately 104,796 sq.m. with a total GFA of approximately 155,152 sq.m. Shanghai Shanhuwan Garden is expected to be a residential project which comprises primarily high-rise apartment buildings and townhouses. The project is expected to be divided into four phases.



As of September 30, 2009, Shanghai Shanhuwan Garden Phase 1 was under development. We commenced development of Shanghai Shanhuwan Garden Phase 1 in February 2009 and expect to complete it in July 2010. Shanghai Shanhuwan Garden Phase 1 is expected to comprise residential space with a saleable GFA of approximately 32,472 sq.m. We commenced pre-sale of Shanghai Shanhuwan Garden Phase 1 in July 2009. Based on our internal management records, the total development costs (including land costs, construction costs and capitalized finance costs) incurred as of September 30,

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2009 were approximately RMB149.5 million. We estimate that an additional amount of approximately RMB7.4 million is required to complete development of Shanghai Shanhuwan Garden Phase 1. For further information, please refer to Property No. 22 in the Property Valuation Report in Appendix IV to this document.

As of September 30, 2009, Shanghai Shanhuwan Garden Phases 2–4 were held for future development. Based on our internal management records, total development costs (including land costs only) incurred, as of September 30, 2009, for Shanghai Shanhuwan Garden Phases 2–4 were approximately RMB109.7 million. For further information, please refer to Property No. 35 in the Property Valuation Report in Appendix IV to this document.

PROJECT MANAGEMENT AND CONSULTANCY SERVICES

Riverside Hill Town is located in Fenggang Town, Dongguan, Guangdong Province. The project occupies an aggregate site area of approximately 70,391 sq.m. with a total GFA of approximately 114,345 sq.m. We have no property interest in Riverside Hill Town. We entered into an agreement in 2005 with Dongguan Fenggang Real Estate Development Company (“Dongguan Fenggang”), an independent third party, under which we had the contractual right to develop, in the name of Dongguan Fenggang, the Riverside Hill Town, formerly known as the Xulong Shanzhuang project (the “Original Agreement”). Dongguan Fenggang is a collectively owned property developer under the jurisdiction of Fenggang township in the city of Dongguan. Under the Original Agreement, Dongguan Fenggang was responsible for applying for project proposals, obtaining the land use rights certificates and other required governmental approvals and permits for this project, and we were responsible for project planning, design, construction and development, and for sale. As advised by our PRC legal adviser, a significant portion of local land was historically held by collectively owned entities in Dongguan, and the arrangement that we entered into with Dongguan Fenggang was a common form of joint development.

In May 2007, the Dongguan municipal government issued a notice (the “Notice”) which provides that, if a company develops properties in the name of a collectively owned property developer under the jurisdiction of a township in the city of Dongguan, and the collectively owned property developer collects fees for assisting the company in obtaining the relevant permits and governmental approvals for the development, both parties must terminate the development arrangement before October 1, 2007, and the land use rights certificate must be transferred from the collectively owned property developer to the company which conducts the development. Prior to the issuance of the Notice, we and Dongguan Fenggang had substantially performed our respective obligations under the Original Agreement. As of December 31, 2007, Dongguan Fenggang had obtained all necessary permits, government approvals and certificates required for developing Riverside Hill Town, the project had been substantially completed and substantially all of its residential units had been pre-sold. As advised by our PRC legal adviser, the transfer of the land use rights certificate from Dongguan Fenggang to us had become impracticable because (i) the development had already been substantially completed and certain properties had been pre-sold to individual purchasers at the time of issuance of the Notice, and (ii) the pre-sold properties may not be transferred without consent of the individual property purchaser or cancellation of the relevant pre-sale contracts. Generally, we do not expect individual property purchasers to agree to such transfer of the pre-sold portion of the land use rights.

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We entered into a supplemental agreement (the “Supplemental Agreement”) on January 23, 2008 with Dongguan Fenggang, under which both parties agreed to terminate certain provisions of the Original Agreement which were not in compliance with the Notice, including the provisions relating to the payment arrangements for the original development cooperation and the allocation of development risks to us. Under the Supplemental Agreement, we are not entitled to the sale proceeds derived from this project. We continue to have the right to provide property management and consultancy services and technical support to Riverside Hill Town upon its completion. The Supplemental Agreement provides that Dongguan Fenggang is obligated to pay us project consultancy services fees for our project management and consultancy services and technical support provided for the development of Riverside Hill Town, and an additional bonus for our contribution to this project. The project consultancy services fees were determined with reference to the GFA of Riverside Hill Town for which we provided services and support. The additional bonus was determined at Dongguan Fenggang’s discretion. Dongguan Fenggang has paid us the total project consultancy services fees in an aggregate amount of RMB175.1 million, including RMB104.8 million which was recognized as revenue in the year ended December 31, 2007 under the segment “project consultancy services” and RMB70.3 million which was recognized as revenue in the year ended December 31, 2008 under the same segment. The revenue of RMB104.8 million in 2007 included project consultancy services fees of RMB103.0 million and a bonus of RMB1.8 million. The revenue of RMB70.3 million in 2008 represented project consultancy services fees only. See the section entitled “Financial Information — Results of Operations — 2007 compared to 2006” in this document. We incurred the total cost of RMB364.7 million in the development of Riverside Hill Town, including RMB48.5 million in 2005, RMB118.8 million in 2006, RMB187.8 million in 2007 and RMB9.6 million in 2008. The total cost of RMB364.7 million has been fully recovered by us. In accordance with the Supplemental Agreement, the development costs in relation to Riverside Hill Town were recorded as receivables from Dongguan Fenggang in our financial statement.

According to our PRC legal adviser, there is no legal impediment for the individual purchasers of Riverside Hill Town properties to obtain their individual property ownership certificates, provided that the individual purchasers and Dongguan Fenggang carry out their respective obligations in accordance with the terms of the sale contracts. As advised by our PRC legal adviser, because Riverside Hill Town is owned by Dongguan Fenggang and not by us, it is Dongguan Fenggang’s obligation to deliver properties to the individual purchasers and to assist in obtaining individual property ownership certificates. Therefore, we will not be subject to any contingent liability if any property in Riverside Hill Town cannot be delivered to the individual purchaser or if the individual property ownership certificate cannot be issued on time or at all.

Our PRC legal adviser has advised that, (i) since the Original Agreement was entered into before the issuance of the Notice, the Original Agreement did not violate relevant PRC laws and regulations when it was entered into in 2005, and (ii) our cooperation with Dongguan Fenggang is in compliance with relevant PRC laws and regulations and we will not be subject to any consequential legal liability or penalty because, after the Notice was issued in 2007, we entered into the Supplemental Agreement under which the joint development arrangements under the Original Agreement were terminated. Our PRC legal adviser also confirms that (i) the Supplemental Agreement terminated the provisions of the Original Agreement which were not in compliance with the Notice, and the Original Agreement as so supplemented does not violate any prohibitory laws and regulations of the PRC, (ii) the Supplemental Agreement can retrospectively cover the term of the Original Agreement prior to January 23, 2008, and (iii) the cooperation with Dongguan Fenggang does not violate any prohibitory laws and regulations of

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the PRC. According to our PRC legal adviser, the Supplemental Agreement is legal, binding and enforceable and in compliance with the Notice, and the arrangements under the Supplemental Agreement are in compliance with applicable PRC laws and regulations. None of our other projects include arrangements of the same or a similar nature, and we do not intend to enter into this kind of arrangement in future.

OTHER CONTRACTUAL ARRANGEMENTS

As of the September 30, 2009, we had 22 contractual arrangements, comprising five different categories of projects. The five categories are: (i) contractual arrangements relating to cooperative or joint development, (ii) contractual arrangements relating to redevelopment, (iii) contractual arrangements relating to project transfers, (iv) a contractual arrangement relating to infrastructure development, and (v) contractual arrangements relating to primary land development.

Only three of these contractual arrangements relate to primary land development or infrastructure development. The other 19 contractual arrangements were entered into with a view to facilitating potential acquisitions of land use rights. None of these contractual arrangements are land grant contracts. Generally, land use rights can be obtained in the primary market or the secondary market in China. See “— Land Acquisition.” Unless otherwise required by relevant PRC laws and regulations, land acquisition in the secondary market may not be subject to the public tender, auction and listing-for-sale requirements and can be completed by agreements among the relevant parties. All of the redevelopment projects are located in Shenzhen. Under existing rules and regulations in Shenzhen, land use rights may be acquired through these redevelopment programs without going through the public tender, auction and listing-for-sale process so long as such redevelopment is undertaken jointly by a developer and the original residents. Any redevelopment project to be undertaken solely by a developer is, however, subject to the public tender, auction and listing-for-sale process. With respect to these 19 contractual arrangements, it is uncertain whether we will ultimately be able to acquire the land use rights for the related parcels of land. In order to obtain land use rights as contemplated under some, if not all, of these contractual arrangements, we may also be subject to public tender, auction and listing-for-sale requirements. As these 19 contractual arrangements often involve multiple government approvals and relatively complicated procedures, it is not uncommon to take years to acquire the underlying land, if at all. We cannot assure you that these contractual arrangements will eventually result in our acquisition of any parcels of land.

Some of these contractual arrangements involve demolition and resettlement works. We have designated a team of eight staff members responsible for negotiating resettlement compensation with existing residents and coordinating matters relating to the subsequent demolition and resettlement works. We engage or intend to engage independent third parties to carry out the demolition and resettlement works for each relevant project after the negotiations with the existing residents have been completed and the relevant demolition resettlement permit has been issued by the government authority. These arrangements involve a number of certificates, the uncertain timeframes for completion and various contingencies that could delay or prevent obtaining the related land use rights, all of which vary from one project to another. Accordingly, it is difficult to predict the various times at which additional costs will be incurred and the completion time for each contractual arrangement.

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In addition, we have entered into three contractual arrangements relating to infrastructure development or primary land development with a view to enhancing our future expansion into the relevant markets through providing services under these arrangements. For the contractual arrangements relating to infrastructure development, we are obligated to invest in and construct the projects. We engage qualified independent third party construction companies to carry out the related infrastructure construction works. For the contractual arrangements relating to primary land development, we are responsible for providing the required funding and will not ourselves undertake the related primary land development works. Since none of the infrastructure construction and primary land development works will be undertaken by us, we are not required to obtain licenses for the relevant infrastructure construction or primary land development works.

If our projects do not proceed in accordance with the scheduled time frame, we will implement measures which we consider appropriate to the nature of and reasons for the delay. If we are able to adjust the relevant schedule, we will endeavor to do so. If we determine that the contractual arrangements are unlikely to proceed based on our past experience, we will negotiate with our counterparties and seek to terminate the contractual arrangements and recover our costs. During the Track Record Period and through the Latest Practicable Date, we and the respective counterparties terminated certain contractual arrangements, including three contractual arrangements relating to project transfers and one contractual arrangement relating to infrastructure development. With respect to the three contractual arrangements relating to project transfers, other than the prepayments made by us for the relevant land-related projects, neither the counterparties nor we had significantly performed any of the respective parts of the contractual arrangements. Pursuant to the respective termination agreements, all rights and obligations of the parties to these three contractual arrangements have been terminated. As confirmed by our PRC legal adviser, there were no contingent liabilities arising from the terminations. Before the relevant terminations, we had prepaid approximately RMB40.0 million, RMB35.9 million and RMB57.0 million, respectively, to be charged as a portion of payment for the relevant project transfer under the three contractual arrangements. As of the Latest Practicable Date, we had recovered the total costs incurred in connection with each of these three contractual arrangements. In addition, we terminated one contractual arrangement relating to infrastructure development. On April 23, 2009, we and the Huizhou Municipal Government, the counterparty, entered into a termination agreement under which both parties agreed to terminate the contractual arrangement for the infrastructure construction work. Pursuant to the termination agreement, all rights and obligations of the parties to this contractual arrangement have been terminated. As confirmed by our PRC legal adviser, there were no contingent liabilities arising from the termination. Before the termination, road sub-grade repair and cleaning had been performed, and we had incurred a total cost of approximately RMB40.9 million for the preliminary development works. Under the termination agreement, the Huizhou Municipal Government agreed to return to us RMB39.0 million of our prepaid investment and retained RMB1.0 million as compensation for its preparatory work in this project. As of the Latest Practicable Date, we had received approximately RMB20.0 million. Given that (i) as confirmed by our PRC legal adviser, we have the legal right to recover the agreed amount stipulated in the termination agreement, (ii) the counterparty is a governmental entity at municipal level, and the credibility of which is less concerned than that of a private entity; (iii) there are no contingent liabilities arising from the termination; and (iv) the counterparty has returned to us the majority of recoverable amount and is obligated to return the remaining balance, we believe that we will be able to fully recover and expect to receive the remaining balance of RMB19.0 million within 2009.

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We have prepaid deposits, advances or other consideration under these contractual arrangements. These deposits, down payments or other consideration were unsecured payments made by us in accordance with the terms of the relevant contracts and have been accounted for as prepayment for proposed development projects in our financial statements. As of September 30, 2009, we had pre-paid a total amount of RMB1,207.2 million for our contractual arrangements and had outstanding commitments with a total amount of RMB1,967.4 million, which represented approximately 55.1% of our total net assets as of September 30, 2009. We intend to finance the contractual arrangements relating to infrastructure development using internal funds and bank loans and to finance the other contractual arrangements using our internal funds. According to our PRC legal adviser, if the transactions as contemplated in the relevant agreement cannot be completed as a result of the other party’s breach, and we are not in breach of the relevant agreement, we have the right to recover the deposits, advances and other forms of consideration paid based on the relevant provisions set out in the agreement or pursuant to the Contract Law of the PRC (中華人民共和國合同法).

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

No.	Contractual Arrangement ⁽¹⁾	Location	Date of Agreement ⁽²⁾	Site Area (sq.m.)	Estimated or actual total investment/ cost ⁽³⁾ (RMB millions)	Payments/ Costs incurred as of September 30, 2009 (RMB millions)	Additional cost to be incurred ⁽⁴⁾ (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⁾

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No.	Contractual Arrangement ⁽¹⁾	Location	Date of Agreement ⁽²⁾	Site Area (sq.m.)	Estimated or actual total investment/ cost ⁽³⁾	Payments/ Costs incurred as of September 30, 2009	Additional cost to be incurred ⁽⁴⁾
					(RMB millions)	(RMB millions)	(RMB millions)
9.	Contract for a redevelopment project	Shenzhen, Guangdong Province	August 2006	230,000	N/A ⁽⁶⁾	10.0	N/A ⁽⁶⁾
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

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No.	Contractual Arrangement ⁽¹⁾	Location	Date of Agreement ⁽²⁾	Site Area (sq.m.)	Estimated or actual total investment/ cost ⁽³⁾ (RMB millions)	Payments/ Costs incurred as of September 30, 2009 (RMB millions)	Additional cost to be incurred ⁽⁴⁾ (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						<u>1,207.2</u>	

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.

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Set forth below is a summary of the contractual arrangements we have entered into in the ordinary course of our business.

Contractual arrangements relating to cooperative or joint development

(1) Contract for cooperative development of an old plant area

We and an independent third party entered into a cooperative development agreement on January 29, 2007 and two supplemental agreements on February 2, 2007 in relation to the acquisition of an old undeveloped area in Dongguan, the related demolition and resettlement compensation expenses and certain development works. The site has an area of approximately 89,145 sq.m.

The independent third party is a collectively owned company. We conducted a due diligence review of, among other things, the background, business registration and shareholders’ information with respect to the independent party. After the relevant due diligence review, we concluded that the independent third party had the legal capacity and business credibility to enter into the underlying agreements. We also sought advice from our external legal advisers before entering into the agreement.

Under the agreement, the independent third party is responsible for paying the acquisition, demolition and resettlement compensation expenses. We agreed to reimburse the independent third party for these expenses in an aggregate amount of RMB167.0 million. We paid 12.5% (or approximately RMB20.9 million) of that aggregate amount within 30 days of the execution of the agreement, and paid and will continue to pay approximately RMB20.9 million every quarter until the aggregate amount has been paid in full.

As of September 30, 2009, we had paid approximately RMB78.6 million in relation to the works contemplated in the agreement and we expect to incur an additional cost of approximately RMB88.4 million. We intend to finance the total cost relating to this contractual arrangement using internal funds. The demolition and resettlement works have commenced. Subject to the actual progress of the project, we expect the government will hold an auction for the land in the first half of 2010 and we will receive the return on our investment in the project in the same year.

The agreements stipulate that the land will be subject to public tender, auction and listing-for-sale. After a successful public tender, auction or listing-for-sale, if the sales price for the land use rights is between RMB2,200 per sq.m. and RMB2,700 per sq.m., the independent third party will be entitled to 10% of the proceeds from the sale of the land and we will be entitled to 90% of the proceeds from the sale of the land. If the sales price for the land use rights is higher than RMB2,700 per sq.m., the independent third party will be entitled to 30% of the proceeds from the sale of the land and we will be entitled to 70% of the proceeds from the sale of the land.

If we fail to make a quarterly payment within three months after the due date, the independent third party has the right to terminate the agreement within 15 working days, in which case we will not be able to recover the quarterly payments already made and we will be liable for liquidated damages of RMB10 million. If due to any material change in government policy or an event of force majeure, the agreement can no longer be performed, the independent third party must return the quarterly payments to us, together with interest on the amount of those quarterly payments calculated at a rate of 6% per annum.

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Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. There can be no assurance that we will be able to obtain the land use rights, notwithstanding the above-mentioned arrangements and procedures. As a result, it is also difficult to predict the completion date for the project, which depends on, among other things, governmental approval.

(2) Agreement for the joint development in Guangdong Tangquan Forest

As described in the “Agreement on the joint development of Guangdong Tangquan Forest” entered into between Tangquan Linchang and us on July 6, 2007, we and Tangquan Linchang own an 80% and a 20% equity interest, respectively, in a project company formed on September 29, 2007. Tangquan Linchang will grant to the project company the rights to develop and manage parcels of state-owned forest land, covering an area of approximately 500,000 sq.m. located in Huizhou, Guangdong province, and the right to use the tourism-related resources for a period of 70 years. Tangquan Linchang is a government-run public entity (政府事業單位).

Our principal purpose for the joint development of Guangdong Tangquan Forest is to develop residential and resort properties. Under the agreement, the project company also plans to develop additional facilities including mountain roads, waterfalls, fruit orchards, mountain trails, an ecological garden and a botanical garden. The reason for developing the additional facilities is to add value to and enhance the attractiveness of the residential and resort properties. The agreement was approved by the Huizhou Forestry Bureau (惠州市林業局) on July 17, 2007. When reviewing the project, the relevant governmental authorities will consider the residential and resort properties and the additional facilities as a whole for purposes of deciding whether to approve the project or issue relevant permits, as these additional facilities will be supplemental to the residential and resort properties. The required procedures, approvals and permits for this project, which are similar to those for our other projects, will include acquisition of the relevant land use rights through the public listing-for-sale process, entry into a land grant contract with the relevant land and resources authorities, approval for project development from the development and reform commission, planning approval from the planning authorities, and a construction works commencement permit from the construction authorities. We will endeavour to procure the project company’s ongoing compliance with these requisite procedures, approvals and permits and engage qualified contractors to undertake the construction works. Other than the above approvals and permits, there are no additional approvals that need to be obtained. According to our PRC legal adviser, there is no legal impediment for us to obtain these requisite approvals and permits as long as we satisfy relevant conditions required by PRC laws.

We are responsible for sourcing the development funds required for each phase of the project, primarily including the funding for the preparation, planning and development of the residential and resort properties and the additional facilities, as well as the annual resource utilization fees payable to Tangquan Linchang as stated below. During the nine years subsequent to the establishment of the project company, we will be entitled to all after-tax profits under RMB10 million. If after-tax profits exceed RMB10 million, Tangquan Linchang will be entitled to 20%, and we will be entitled to the remaining 80%. Beginning in the 10th year subsequent to the establishment of the project company, Tangquan Linchang will be entitled to 20% of after-tax profits, and we will be entitled to 80%.

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As of September 30, 2009, we had paid approximately RMB12.4 million under the agreement, including (i) RMB5.0 million prepaid by us on behalf of Tangquan Linchang for its preliminary operating expenses, (ii) RMB4.0 million paid to the project company for its payment of the resource utilization fee to Tangquan Linchang, and (iii) RMB3.4 million paid to the project company for its preparatory work, preliminary project planning and the establishment of the project company. With respect to the RMB5.0 million prepaid by us on behalf of Tangquan Linchang, such amount will be repaid to us from the dividends of the project company otherwise payable to Tangquan Linchang. We expect to incur an additional cost of approximately RMB387.6 million. We expect to finance the total cost relating to this contractual arrangement using internal funds. The parties have agreed that the project company shall pay Tangquan Linchang a resource utilization fee of RMB2.0 million annually for nine years beginning in the year of the establishment of the project company. The project company was established in September 2007. The project company engaged a third-party designer in January 2008 to perform the planning and design works and submitted the preliminary planning and design materials to the relevant forestry authority. Pursuant to a request notice issued by the Huizhou Forestry Bureau, Tangquan Linchang submitted additional materials for the relevant construction land planning in September 2008. We expect this project to undergo a comparatively lengthier planning and design process as additional review and approvals from the relevant forestry authorities are required for land situated in state-owned forest. Subject to the approvals by the relevant forestry and land resources authorities, all the planning and design works for this project are expected to be completed in 2012. As of the Latest Practicable Date, the project company had not commenced any construction activities. Given the preliminary nature of the project, we are unable to predict the date of completion.

If the agreement can no longer be performed due to an event of force majeure, we and Tangquan Linchang may mutually agree to terminate the agreement. If the agreement is terminated, we and Tangquan Linchang will separately negotiate the terms for the recovery of amounts we have already paid.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. Also see the section entitled “Connected Transactions — Exempt Continuing Connected Transactions — Contractual arrangements relating to cooperative development of Huizhou Kaisa Tangquan” in this document.

Quality control and progress monitoring. With respect to each of these contractual arrangements set out in (1)–(2), we have a dedicated team that is responsible for assessing the quality of the project and monitoring its progress. The team, which comprises designated members from both our risk management division and our land investment and project development division, submits its findings to our investment committee. The investment committee primarily consists of Sun Yuenan, Ye Jiansheng and Chen Gengxian, our executive Directors, and all of our other four vice presidents.

With respect to the contractual arrangement set out in (1), prior to the successful acquisition of land use rights, we intend to provide the funding to our counterparties in order to complete the relevant approval procedures. If we are successful in acquiring the land use rights, we intend to jointly develop the project with the relevant counterparty. With respect to the contractual arrangement set out in (2), one of the shareholders of the project company has experience in the tourism industry and will support the project company’s efforts in tourism-related matters, and we will deploy resources to support the related property development. As a property developer, we believe we have the requisite resources and expertise to fulfill our obligations under the contractual arrangements.

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With respect to the contractual arrangement set out in (1), if our counterparties fail to complete the land development pursuant to the relevant agreement, or significant impediments emerge in the governmental approval procedures for transfer of land use rights, we will negotiate with our counterparties to terminate the agreement in accordance with PRC laws and under the terms of the agreement. With respect to the contractual arrangement set out in (2), if the residential and resort properties project can no longer be conducted due to a change in government policy, we will negotiate with our counterparties to terminate the agreement in accordance with PRC laws and under the terms of the agreement.

Contractual arrangements relating to redevelopment

(3) Contract for the redevelopment of an old urban area

We entered into an agreement with a township government on March 8, 2004 for the development of an old urban area in Shenzhen of approximately 1.0 million sq.m.

We are responsible for the payment of fees and compensation for the demolition and resettlement works. The township government is responsible for the governmental filings and applications for the redevelopment project and for ensuring that the project is approved as an old urban area redevelopment project.

As of September 30, 2009, we had incurred approximately RMB11.3 million in expenses for evaluation and preparatory works in relation to demolition and resettlement. We expect to finance the total cost relating to this contractual arrangement using internal funds. As of the Latest Practicable Date, because we had not completed resettlement compensation negotiations with the existing residents, the demolition and resettlement works had not commenced. Due to the large number of existing residents involved in the resettlement compensation negotiations, we are unable to predict when the land will be acquired. We are in the process of applying to the relevant governmental authorities for approval of the redevelopment project. Due to the high level of uncertainty and the preliminary nature of this contractual arrangement, we cannot reliably ascertain or estimate the additional costs to be incurred.

The agreement does not expressly contain any termination provision. Pursuant to the Contract Law of the PRC (中華人民共和國合同法), if an agreement does not contain termination provisions, the agreement will terminate when it has been fully performed in accordance with its terms or under the following circumstances: (i) all parties agree to terminate the agreement; (ii) the agreement can no longer be performed due to an event of force majeure; (iii) prior to the end of the term of the agreement, if a party clearly indicates (including through its action or inaction) that it will materially breach its obligation under the contract, the other non-breaching party may terminate the agreement; (iv) if a party delays its performance of a material obligation and, upon the other party's objection, fails to take corrective action within a reasonable time, the other party may terminate the agreement; (v) if the agreement can no longer be performed due to a party's delay in performing its obligation or other breaches, the other party may terminate the agreement; or (vi) other circumstances as provided by PRC laws.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. The township government will not have

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any other rights or obligations under the agreement after we have acquired the relevant land use rights. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures.

(4) *A contract for the redevelopment of an old urban area*

We entered into an agreement with a township government on July 1, 2004 for the redevelopment of an old urban area occupying an area in Shenzhen of approximately 400,000 sq.m.

We are responsible for investing in the redevelopment project and paying demolition, compensation and resettlement fees. The township government is responsible for obtaining approval for the redevelopment project and for ensuring that the project is approved as an old urban area redevelopment project.

As of September 30, 2009, we had not incurred any expenses for this project. As of the Latest Practicable Date, because we had not completed resettlement compensation negotiations with the existing residents, the demolition and resettlement works had not commenced. Due to the large number of existing residents involved in the resettlement compensation negotiations, we are unable to determine when we will be able to acquire the land will be acquired. We are in the process of applying to the relevant governmental authorities for approval of the redevelopment project. Due to the high level of uncertainty and the preliminary nature of this contractual arrangement, we cannot reliably ascertain or estimate the additional costs to be incurred. We expect to finance the total cost relating to this contractual arrangement using internal funds.

The agreement does not expressly contain any termination provision. Pursuant to the Contract Law of the PRC (中華人民共和國合同法), if an agreement does not contain termination provisions, the agreement will terminate when it has been fully performed in accordance with its terms or under the following circumstances: (i) all parties agree to terminate the agreement; (ii) the agreement can no longer be performed due to an event of force majeure; (iii) prior to the end of the term of the agreement, if a party clearly indicates (including through its action or inaction) that it will materially breach its obligation under the contract, the other non-breaching party may terminate the agreement; (iv) if a party delays its performance of a material obligation and, upon the other party’s objection, fails to take corrective action within a reasonable time, the other party may terminate the agreement; (v) if the agreement can no longer be performed due to a party’s delay in performing its obligation or other breaches, the other party may terminate the agreement; or (vi) other circumstances as provided by PRC laws.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. The township government will not have any other rights or obligations under the agreement after we have acquired the relevant land use rights. There can be no assurance that we will be able to obtain the land use rights, notwithstanding these arrangements and procedures.

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(5) *Contract for the redevelopment of an old village area*

We and a township government entered into a letter of intent on July 26, 2004, an agreement on August 9, 2004 and a supplementary agreement on August 10, 2004, for the relocation, demolition and redevelopment of an old village area in Shenzhen occupying an area of approximately 290,000 sq.m.

We are responsible for project investment and construction, and the payment of demolition, compensation and resettlement fees. The township government is responsible for obtaining approval for the redevelopment project and for ensuring that the project is approved as an old urban area redevelopment project.

As of September 30, 2009, we had not paid any expenses for this project. We expect to finance the total cost relating to this contractual arrangement using internal funds. As of the Latest Practicable Date, because we had not completed resettlement compensation negotiations with the existing residents, the demolition and resettlement works had not commenced. Due to the large number of existing residents involved in the resettlement compensation negotiations, we are unable to predict when the land will be acquired. We are in the process of applying to the relevant governmental authorities for approval of the redevelopment project. Due to the high level of uncertainty and the preliminary nature of this contractual arrangement, we cannot reliably ascertain or estimate the additional costs to be incurred.

The agreement does not expressly contain any termination provision. Pursuant to the Contract Law of the PRC (中華人民共和國合同法), if an agreement does not contain termination provisions, the agreement will terminate when it has been fully performed in accordance with its terms or under the following circumstances: (i) all parties agree to terminate the agreement; (ii) the agreement can no longer be performed due to an event of force majeure; (iii) prior to the end of the term of the agreement, if a party clearly indicates (including through its action or inaction) that it will materially breach its obligation under the contract, the other non-breaching party may terminate the agreement; (iv) if a party delays its performance of a material obligation and, upon the other party's objection, fails to take corrective action within a reasonable time, the other party may terminate the agreement; (v) if the agreement can no longer be performed due to a party's delay in performing its obligation or other breaches, the other party may terminate the agreement; or (vi) other circumstances as provided by PRC laws.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. The township government will not have any other rights or obligations under the agreement after we have acquired the relevant land use rights. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures.

(6) *Contract for the redevelopment of an old urban area*

We entered into an agreement with a township government on August 13, 2004 for the redevelopment of an old urban area in Shenzhen occupying an area of approximately 265,000 sq.m.

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We are responsible for project investment and construction, and for the payment of demolition, compensation and resettlement fees. The township government is responsible for obtaining the approvals for the redevelopment project and for ensuring that the project be approved as an old urban area redevelopment project.

As of September 30, 2009, we had not incurred any expenses for this project. We expect to finance the total cost relating to this contractual arrangement using internal funds. As of the Latest Practicable Date, because we had not completed resettlement compensation negotiations with the existing residents, the demolition and resettlement works had not commenced. Due to the large number of existing residents involved in the resettlement compensation negotiations, we are unable to predict when the land will be acquired. We are in the process of applying to the relevant governmental authorities for approval of the redevelopment project. Due to the high level of uncertainty and the preliminary nature of this contractual arrangement, we cannot reliably ascertain or estimate the additional costs to be incurred.

The agreement does not expressly contain any termination provision. Pursuant to the Contract Law of the PRC (中華人民共和國合同法), if an agreement does not contain termination provisions, the agreement will terminate when it has been fully performed in accordance with its terms or under the following circumstances: (i) all parties agree to terminate the agreement; (ii) the agreement can no longer be performed due to an event of force majeure; (iii) prior to the end of the term of the agreement, if a party clearly indicates (including through its action or inaction) that it will materially breach its obligation under the contract, the other non-breaching party may terminate the agreement; (iv) if a party delays its performance of a material obligation and, upon the other party’s objection, fails to take corrective action within a reasonable time, the other party may terminate the agreement; (v) if the agreement can no longer be performed due to a party’s delay in performing its obligation or other breaches, the other party may terminate the agreement; or (vi) other circumstances as provided by PRC laws.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. The township government will not have any other rights or obligations under the agreement after we have acquired the relevant land use rights. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures.

(7) Contract for the redevelopment of an old urban area

We entered into an agreement with the residential committee of a district on September 15, 2004 for the redevelopment of an old urban area in Shenzhen occupying an area of approximately 74,500 sq.m. The redevelopment project was initiated by the relevant local government. The residential committee has an independent legal status and is responsible for managing the public affairs for all the residents in the old urban area.

We are responsible for the investment and the payment of fees and compensation for demolition and resettlement work. The residential committee is responsible for obtaining the approvals for the redevelopment project and ensuring that the project is approved as an old urban area redevelopment project.

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As of September 30, 2009, we had not incurred any expenses for this project. We expect to finance the total cost relating to this contractual arrangement using internal funds. As of the Latest Practicable Date, because we had not completed resettlement compensation negotiations with the existing residents, the demolition and resettlement works had not commenced. Due to the large number of existing residents involved in the resettlement compensation negotiations, we are unable to predict when the land will be acquired. We are in the process of applying to relevant governmental authorities for approval of the redevelopment project. Due to the high level of uncertainty and the preliminary nature of this contractual arrangement, we cannot reliably ascertain or estimate the additional costs to be incurred.

The agreement does not expressly contain any termination provision. Pursuant to the Contract Law of the PRC (中華人民共和國合同法), if an agreement does not contain termination provisions, the agreement will terminate when it has been fully performed in accordance with its terms or under the following circumstances: (i) all parties agree to terminate the agreement; (ii) the agreement can no longer be performed due to an event of force majeure; (iii) prior to the end of the term of the agreement, if a party clearly indicates (including through its action or inaction) that it will materially breach its obligation under the contract, the other non-breaching party may terminate the agreement; (iv) if a party delays its performance of a material obligation and, upon the other party’s objection, fails to take corrective action within a reasonable time, the other party may terminate the agreement; (v) if the agreement can no longer be performed due to a party’s delay in performing its obligation or other breaches, the other party may terminate the agreement; or (vi) other circumstances as provided by PRC laws.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. The residential committee will not have any other rights or obligations under the agreement after we have acquired the relevant land use rights. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures.

(8) Contract for renovation of an old village area

We entered into an agreement with the residential committee of a certain district on April 28, 2006 for the redevelopment of an old village area in Shenzhen covering an area of approximately 210,000 sq.m. The redevelopment project was initiated by the relevant local government. The residential committee has an independent legal status and is responsible for managing the public affairs for all the residents in the old village area.

We are responsible for the payment of fees and compensation for the demolition and resettlement works. The residential committee is responsible for the availability of the land for redevelopment and the required approval procedures, including the conversion of the land use rights to state-owned land use rights.

As of September 30, 2009, we had incurred RMB2.2 million in expenses for evaluation and preparatory works in relation to demolition and resettlement. We expect to finance the total cost relating to this contractual arrangement using internal funds. As of the Latest Practicable Date, because we had not completed resettlement compensation negotiations with the existing residents, the demolition and resettlement works had not commenced. Due to the large number of existing residents involved in the

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resettlement compensation negotiations, we are unable to predict when the land will be acquired. Due to the high level of uncertainty and the preliminary nature of this contractual arrangement, we cannot reliably ascertain or estimate the additional costs to be incurred. We are in the process of applying to relevant governmental authorities for approval of the redevelopment project.

The agreement stipulated that if approval of the redevelopment project had not been obtained from the relevant governmental authorities by April 28, 2008, the agreement may be terminated by either party. Hence, as approval had not been received by such date, either party may terminate the agreement. However, neither we nor, to the best knowledge, information and belief of our Directors, the residential committee, currently intend to exercise this termination right.

The agreement does not expressly provide for the circumstances under which we may terminate the agreement. Pursuant to the Contract Law of the PRC (中華人民共和國合同法), each party to the agreement may terminate it when the agreement has been fully performed in accordance with its terms or under the following circumstances: (i) all parties agree to terminate the agreement; (ii) the agreement can no longer be performed due to an event of force majeure; (iii) prior to the end of the term of the agreement, if a party clearly indicates (including through its action or inaction) that it will materially breach its obligation under the contract, the other non-breaching party may terminate the agreement; (iv) if a party delays its performance of a material obligation and, upon the other party’s objection, fails to take corrective action within a reasonable time, the other party may terminate the agreement; (v) if the agreement can no longer be performed due to a party’s delay in performing its obligation or other breaches, the other party may terminate the agreement; or (vi) other circumstances as provided by PRC laws.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. The residential committee will not have any other rights or obligations under the agreement after we have acquired the relevant land use rights. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures.

(9) Contract for a redevelopment project

We entered into an agreement with a residential committee and two independent third parties on August 6, 2006 for the demolition and resettlement works for a redevelopment project in Shenzhen covering an area of approximately 230,000 sq.m. The redevelopment project was initiated by the relevant local government. The residential committee has an independent legal status and is responsible for managing the public affairs for all the residents in the area. The two independent third parties are companies collectively owned by the residents in this area.

We are responsible for the payment of fees and compensation for the demolition and resettlement works. The residential committee and the two relevant independent third parties are responsible for making the land available for redevelopment and coordinating the resettlement negotiations with the owners and residents. The residential committee and the two independent third parties act for the interest of the residents and play the same role in carrying out the above responsibilities. We have agreed to pay coordination and compensation fees to the residential committee and the two independent third parties. The coordination fees will be paid in installments from the security deposit at the rate of RMB500,000

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per 20,000 sq.m. according to demolition and resettlement progress. The remaining balance of the security deposit, if any, will be returned to us after the redevelopment has been completed. Upon completion of the demolition and resettlement works, we will make a one-time payment to the residential committee and the two independent third parties in the aggregate amount of RMB2 million as an additional compensation fee for their works in this redevelopment project. Pursuant to the agreement, we will acquire all the land use rights for the redevelopment project except 35,000 sq.m., which will be used by the residential committee and the two independent third parties for resettlement of affected residents.

As of September 30, 2009, we had paid RMB10.0 million as a security deposit for the project. We expect to finance the total cost relating to this contractual arrangement using internal funds. As of the Latest Practicable Date, because we had not completed resettlement compensation negotiations with the existing residents, the demolition and resettlement works had not commenced. Due to the large number of existing residents involved in the resettlement compensation negotiations, we are unable to predict when the land will be acquired. We are in the process of applying to relevant governmental authorities for approval of the redevelopment project. Due to the high level of uncertainty and the preliminary nature of this contractual arrangement, we cannot reliably ascertain or estimate the additional costs to be incurred.

The independent third parties may terminate the agreement (in which case we would seek to renegotiate with the independent third parties) if we, due to our own fault, fail to reach agreement with all individual property owners of the initial phase of the land with an area of 100,000 sq.m. prior to August 6, 2008, or if we fail to obtain all the approvals from relevant authorities for the initial phase within 24 months thereafter. The independent third parties may terminate the agreement with us and keep the security deposit if we, due to our own fault, fail to commence or to procure the commencement of the construction 18 months after we have obtained the construction works commencement permit. The independent third parties may terminate the agreement and keep the security deposit if we default in payment under the agreement and the default continues for more than two months without justification. The independent third parties may terminate the agreement if, through no fault of the independent third parties, the residents subject to resettlement or the government, we fail to reach agreements with at least 80% of the residents subject to resettlement; provided that the security deposit must be returned to us. As of the Latest Practicable Date, the independent third parties had not terminated the agreement.

The agreement does not expressly provide for the circumstances under which we may terminate the agreement. Pursuant to the Contract Law of the PRC (中華人民共和國合同法), each party to the agreement may terminate the agreement when it has been fully performed in accordance with its terms or under the following circumstances: (i) all parties agree to terminate the agreement; (ii) the agreement can no longer be performed due to an event of force majeure; (iii) prior to the end of the term of the agreement, if a party clearly indicates (including through its action or inaction) that it will materially breach its obligation under the contract, the other non-breaching party may terminate the agreement; (iv) if a party delays its performance of a material obligation and, upon the other party's objection, fails to take corrective action within a reasonable time, the other party may terminate the agreement; (v) if the agreement can no longer be performed due to a party's delay in performing its obligation or other breaches, the other party may terminate the agreement; or (vi) other circumstances as provided by PRC laws.

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Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. The residential committee will not have any other rights or obligations under the agreement after we have acquired the relevant land use rights. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures.

(10) Contract for the redevelopment and joint development of an old urban area

We, a residential committee and an independent third party entered into an agreement on September 21, 2006 for redevelopment of an old urban area in Shenzhen occupying a site area of approximately 90,000 sq.m. The redevelopment project was initiated by the relevant local government. The residential committee has an independent legal status and is responsible for managing the public affairs for all the residents in the old urban area. The third independent party is a company collectively owned by the residents in this area.

The residential committee and the independent third party are responsible for providing the land for redevelopment and assisting us in filing the various applications to the relevant government authorities. The residential committee and the independent third party act for the interest of the residents and play the same role in carrying out the above responsibilities. We are responsible for the payment of fees and compensation for the demolition and resettlement works. We are also responsible for the planning, design and construction of the project, as well as the sale and management of the properties to be developed, and we will assume all related cost. Pursuant to the agreement, we will fully own the redevelopment project, and the residential committee, the relevant residents and the independent third party will receive compensation for the demolition and resettlement. The security deposit will be returned to us after the redevelopment is completed or if we are unable to carry out the redevelopment within two years after the execution of the agreement due to governmental policy.

As of September 30, 2009, we had paid approximately RMB5.0 million as a security deposit to the residential committee and the independent third party. We expect to finance the total cost relating to this contractual arrangement using internal funds. As of the Latest Practicable Date, because we had not completed resettlement compensation negotiations with the existing residents, the demolition and resettlement works had not commenced. Due to the large number of existing residents involved in the resettlement compensation negotiations, we are unable to predict when the land will be acquired. We are in the process of applying to relevant governmental authorities for approval of the redevelopment project. Due to the high level of uncertainty and the preliminary nature of this contractual arrangement, we cannot reliably ascertain or estimate the additional costs to be incurred.

The agreement does not expressly contain any termination provision. Pursuant to the Contract Law of the PRC (中華人民共和國合同法), if an agreement does not contain termination provisions, the agreement will terminate when it has been fully performed in accordance with its terms or under the following circumstances: (i) all parties agree to terminate the agreement; (ii) the agreement can no longer be performed due to an event of force majeure; (iii) prior to the end of the term of the agreement, if a party clearly indicates (including through its action or inaction) that it will materially breach its obligation under the contract, the other non-breaching party may terminate the agreement; (iv) if a party delays its performance of a material obligation and, upon the other party's objection, fails to take

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corrective action within a reasonable time, the other party may terminate the agreement; (v) if the agreement can no longer be performed due to a party’s delay in performing its obligation or other breaches, the other party may terminate the agreement; or (vi) other circumstances as provided by PRC laws.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. The residential committee and the independent third party will not have any other rights or obligations under the agreement after we have acquired the relevant land use rights. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures.

(11) Contract for the redevelopment of an industrial area

We entered into an agreement with a local government entity on September 10, 2007 for the demolition and resettlement works for the redevelopment of an old urban area in Shenzhen. The redevelopment zone is located in an old industrial area and covers an area of approximately 7.63 hectares.

Under the agreement, the local government entity is responsible for coordinating the demolition, resettlement and compensation negotiations. We are responsible for the substantive negotiations and for the payment of the agreed compensation fees. Within 30 days after this project is ready to apply for a demolition and resettlement permit, we are required to prepare the relevant documentation, apply to the land and resources authorities for the permit, and complete the demolition and resettlement. If we do not comply, the local government entity may terminate the agreement and any loss will be borne by us.

As of September 30, 2009, we had paid approximately RMB2.4 million as a security deposit. We expect to finance the total cost relating to this contractual arrangement using internal funds. As of the Latest Practicable Date, because we had not completed resettlement compensation negotiations with the existing residents, the demolition and resettlement works had not commenced. Due to the large number of existing residents involved in the resettlement compensation negotiations, we are unable to predict when the land will be acquired. We are in the process of applying to relevant governmental authorities for approval of the redevelopment project. Due to the high level of uncertainty and the preliminary nature of this contractual arrangement, we cannot reliably ascertain or estimate the additional costs to be incurred.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. The local government entity will not have any other rights or obligations under the agreement after we have acquired the relevant land use rights. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures.

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(12) Option deed in connection with a redevelopment project

We entered into an option deed with an independent third party (the “Option Grantor”) on April 23, 2008 (as supplemented by a supplemental deed dated January 16, 2009). Pursuant to the deed, we were granted an option to require the Option Grantor to sell to us the issued share capital in a wholly owned subsidiary (the “Subsidiary”) held by it.

The Subsidiary, through a wholly owned foreign enterprise (“WFOE”) owns the land and building situated in the industrial zone at Shenzhen Longgang District Xuexiang Village with a total area of 321,824 sq.m (collectively referred to as the “Properties”). We engaged external legal advisers to conduct a due diligence review with respect to the Subsidiary and WFOE, as well as the land use rights with respect to the Properties held by WFOE. After the relevant due diligence review, we concluded that each of the Subsidiary and its wholly owned WFOE, as a going concern, had the legal capacity and was in good standing.

We may exercise the option between April 23, 2008 and December 31, 2009 by serving on the Option Grantor a duly completed exercise notice. Upon exercise of the option, we will become the ultimate owner of the Properties. The Option Grantor is in receivership and all its assets including the property in question have been mortgaged and, upon certain termination events, we have the right to require to be transferred to us for no additional consideration the Properties owned by WFOE. Pursuant to a letter of undertaking, the creditors of the Option Grantor will not take action to enforce the security or wind-up of the Option Grantor and its subsidiaries, including WFOE, before expiry of the option period. If we decide to exercise the option, we expect to acquire the Properties prior to April 2010. If we acquire the Properties and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land which forms part of the Properties. The total consideration for the option was approximately HK\$504.1 million (or approximately RMB443.6 million), subject to certain adjustment, upon completion.

In January 2006, WFOE and an affiliated company (which jointly held the Properties and subsequently merged into WFOE) entered into a redevelopment and compensation agreement (“Redevelopment Agreement”) with a real estate developer in Shenzhen (the “Shenzhen Developer”), pursuant to which WFOE and the affiliated company will transfer the Properties to the Shenzhen Developer, which will in turn be responsible for paying demolition compensation fees. The land which forms part of the Properties is currently intended to be converted into residential commercial use.

As of September 30, 2009, we had paid an aggregate amount of approximately RMB466.2 million, including approximately RMB130.4 million paid to the Option Grantor as a portion of the purchase price of the option, approximately RMB187.0 million as a loan and RMB132.9 million to an independent third party (the “Independent Third Party”) in connection with such party’s negotiation with the Shenzhen Developer on our behalf, and approximately RMB15.9 million for tax payment, rents and other cost. The amount of RMB187.0 million represents the actual cost incurred by the Independent Third Party for the assignment to it by the Shenzhen Developer of all rights and obligations of the Shenzhen Developer under the Redevelopment Agreement. We expect to incur an additional cost of approximately RMB349.9 million, including the balance of approximately RMB329.5 million payable after our exercise of the option. We engaged the Independent Third Party who participated in the

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redevelopment works in connection with the Redevelopment Agreement to facilitate negotiation with the Shenzhen Developer and seek better terms for the transaction by taking advantage of the business between the Independent Third Party and the Shenzhen Developer.

Pursuant to the option deed, at our request, the Option Grantor will use its best efforts to procure that WFOE consent to the assignment and transfer of all or part of the rights and obligations of the Shenzhen Developer under the Redevelopment Agreement to us or any third party nominated by us. The deed will cease and terminate if the WFOE is obligated to transfer the Properties to the Shenzhen Developer or its assignee or transferee under the Redevelopment Agreement, and the Option Grantor would then be obligated to return HK\$149.7 million (or approximately RMB130.4 million) to us. On March 14, 2008, the rights and obligations of the Redevelopment Agreement were transferred from the Shenzhen Developer to the Independent Third Party. In addition, we have the right to terminate the deed by written notice to the Option Grantor, if, among other things, the Option Grantor does not comply with its material obligations under the option deed or the aggregate liabilities (actual, contingent or otherwise) of WFOE (excluding the existing bank debt and the inter-company payables owed by WFOE) exceed HK\$394,458,862.6, which will be the balance of the purchase price payable by us upon exercise of the option. In the event that we do not exercise the option as aforesaid, we are entitled to require the Independent Third Party to procure the transfer of the Properties to us at a cash consideration not exceeding RMB900 million less any unpaid land premium in respect of the Properties and any costs then incurred by us for the acquisition of the Properties. In the event that we do not exercise the option or exercise our rights to acquire the Properties, the Independent Third Party will be required to repay the loan of RMB187 million within three business days after we notify the Independent Third Party of the same.

Quality control and progress monitoring. With respect to each of these contractual arrangements set out in (3)–(12), we have a dedicated team that is responsible for assessing the quality of the project, in particular whether we have met the demands of each redevelopment, and monitoring the progress of each redevelopment. The team, which comprises members from both our risk management division and our land investment and project development division, submits its findings to our investment committee. The investment committee primarily consists of Sun Yuenan, Ye Jiansheng and Chen Gengxian, our executive Directors, and all of our other four vice presidents.

With respect to all of the above contractual arrangements except that set out in (12), we have designated a team of eight members responsible for negotiating resettlement compensation with existing residents. This team is also responsible for coordinating matters relating to the subsequent demolition and resettlement works. If we are successful in resolving these matters and acquire the requisite land use rights for a particular project, we will commence development of the project. With respect to the contractual arrangement set out in (12), we will commence development of the project after we exercise the option, acquire the requisite land use rights complete the required approval procedures. As a property developer, we believe we have the requisite resources and expertise to fulfill our obligations under the contractual arrangements.

With respect to all of the above contractual arrangements except that set out in (12), if significant impediments emerge in the demolition and resettlement process, we will negotiate with our counterparties to terminate the relevant agreement in accordance with PRC laws and under the terms of

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the agreement. With respect to the contractual arrangement set out in (12), we may terminate the option deed in the circumstances as set out above and will make such decision in light of our business operations.

Contractual arrangements relating to project transfers

(13) A contract for the transfer of interest in a parcel of land

We entered into an agreement with an independent third party on July 21, 2004 for the transfer of the entire interest in a parcel of land in Shenzhen occupying an area of approximately 26,667 sq.m.

The independent third party is a state-owned company. We have assessed the interest of the independent party in the parcel of land and have conducted a due diligence review of, among other things, the background, business registration information and shareholders’ information with respect to the independent party. After the relevant due diligence review, we concluded that the independent third party had the legal capacity and business credibility to enter into the underlying agreement. We also sought advice from our external legal advisers before we entered into the agreement.

Under the agreement, the independent third party agreed to transfer to us the entire interest in the parcel of land upon completion of the required approval procedures. We agreed to pay the corresponding interest transfer fees of RMB7.3 million.

As of September 30, 2009, we had paid an aggregate amount of RMB8.0 million for the total project transfer fees and the related cost in connection with this contractual arrangement. We financed the total cost using internal funds.

If the agreement cannot be performed within six months after execution through no fault of either party, we may terminate the agreement. Within five days of the termination of the agreement, the independent third party must return to us the transfer fees paid by us. If the agreement can no longer be performed for government policy reasons or due to an event of force majeure, the agreement will terminate with immediate effect and the independent third party must return to us the transfer fees paid by us. As of the Latest Practicable Date, we had not terminated the agreement. Due to a change of government planning, the government now intends to build office buildings on the project land. We have requested that the government either return our payment and make appropriate compensation or replace the project land with another parcel of land of comparable value. As of the Latest Practicable Date, we had not obtained the relevant land use right and the negotiation was ongoing. We are currently negotiating with the government with a view to reaching an agreement on land replacement and we are waiting for the government’s proposal on replacement land arrangement. We expect the negotiation with the government to be completed in 2010, and if we and the government reach an agreement on the land replacement arrangement, we expect to obtain the land use rights for the replacement land in the same year.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC laws. If the government provides us with a parcel of land of comparable value and we obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. There can be no assurance that we will be able to obtain the relevant land use rights notwithstanding these arrangements and procedures.

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(14) *A land use rights transfer contract*

We and an independent third party, acting on behalf of a township government, entered into a land use rights transfer agreement on August 2, 2005, and we entered into two supplementary agreements with the township government on October 26, 2005 and July 28, 2008, respectively.

Pursuant to the transfer agreement and the supplementary agreements, the township government agreed to transfer to us the land use rights for a parcel of land with an area of approximately 260,000 sq.m. in Dongguan upon completion of the required approval procedures.

As of September 30, 2009, we had paid the total cost of approximately RMB131.3 million in connection with this contractual arrangement. We financed the total cost relating to this contractual arrangement using internal funds. The local governmental authority has issued the approval for land planning. We are in the process of completing the rest of land approval procedures. Subject to the actual progress of the project, we expect the government will hold an auction for the land use rights in 2009. We intend to participate in the auction and hope to acquire the land use rights.

The agreement does not expressly contain any termination provision. Pursuant to the Contract Law of the PRC (中華人民共和國合同法), if an agreement does not contain termination provisions, the agreement will terminate when it has been fully performed in accordance with its terms or under the following circumstances: (i) all parties agree to terminate the agreement; (ii) the agreement can no longer be performed due to an event of force majeure; (iii) prior to the end of the term of the agreement, if a party clearly indicates (including through its action or inaction) that it will materially breach its obligation under the contract, the other non-breaching party may terminate the agreement; (iv) if a party delays its performance of a material obligation and, upon the other party’s objection, fails to take corrective action within a reasonable time, the other party may terminate the agreement; (v) if the agreement can no longer be performed due to a party’s delay in performing its obligation or other breaches, the other party may terminate the agreement; or (vi) other circumstances as provided by PRC laws.

Our PRC legal adviser has confirmed that, because the agreement is not in violation of PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. As of the Latest Practicable Date, we had not obtained the relevant land use rights. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. There can be no assurance that we will be able to obtain relevant the land use rights, notwithstanding these arrangements and procedures. As a result, it is also difficult to predict the completion date for the project, which depends on, among other things, governmental approval.

(15) *A contract for the transfer of interest in a parcel of land*

We, a residential committee and an independent third party (“Party A”) entered into an agreement on September 21, 2005 and a supplementary agreements for the transfer of the entire interest in a parcel of collectively owned land in Shenzhen held for development on October 23, 2006. We have assessed the interest of the residential committee in the parcel of land and reviewed the relevant government approvals. The residential committee has an independent legal status and represents all the residents in the area for the project. Party A is a company collectively owned by the residents in this area. Under the original agreement, the collectively owned land held for development covers an area of approximately

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350,000 sq.m. The residential committee and Party A agreed to transfer the entire interest in the project to us upon completion of the required approval procedures. The residential committee and Party A act for the interest of the residents and play the same role in carrying out the above responsibilities. If we are unable to obtain the land use rights for the project one year after the execution of the agreement, the parties may either renegotiate or terminate the agreement, in which case Party A is obligated to return the project transfer fees to us without interest. On August 10, 2009, we and Party A renegotiated and entered into a supplementary agreement, under which the site area of the collectively owned land was reduced to 300,000 sq.m.

We and another independent third party (“Party B”) entered into a cooperation agreement on March 24, 2006, under which Party B is responsible for coordinating with the relevant government authorities to obtain approval for changing the use of the land to commercial and residential construction and we are responsible for the funds needed for the project. Party B is a privately held company. To the best of knowledge, information and belief of our Directors, Party B and the residential committee are independent of each other. We conducted a due diligence review of, among other things, the background, business registration information and shareholders’ information with respect to Party B. After the relevant due diligence review, we concluded that Party B had the legal capacity and business credibility to enter into the cooperation agreement. We also sought advice from our external legal advisers before we entered into the agreement. Party B agreed to assist us in filing the application to the relevant government authorities. After Party B has performed its obligations under this agreement, we are to pay to Party B a fixed amount of RMB315.0 million, which is calculated at a rate of RMB900 per sq.m.

We had prepaid, as of September 30, 2009, approximately RMB183.0 million to be charged as a portion of payment for the transfer of the project and we expect to incur an additional cost of approximately RMB417.0 million in connection with these contractual arrangements. We expect to finance the total cost relating to this contractual arrangement using internal funds. The use of the land has been approved as residential and commercial land for urban development, but the ultimate acquisition of the land is subject to final governmental approval. The governmental approval procedure for changing the designated use of land to use for construction has been lengthier than anticipated. This in turn has delayed our original plan to obtain the respective land use rights. We expect to obtain the land use rights for a parcel of land with an area of 70,000 sq.m. in 2010, and the land use rights for the remaining 230,000 sq.m. of land will be subject to further negotiation with the government.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. As of the Latest Practicable Date, we had not obtained the relevant land use rights. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. There can be no assurance that we will be able to obtain the relevant land use rights or convert the use of the land, notwithstanding these arrangements and procedures. The completion date for the project depends on, among other things, governmental approval.

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(16) A contract for a development project in a forest area

We, a village committee and a government-run public entity entered into an agreement on March 31, 2007, pursuant to which the village committee agreed, upon completion of the required approval procedures, to transfer to us the land use rights for a parcel of land in Huizhou with an area of approximately 133,333 sq.m. We have assessed the interest of the village committee in the parcel of land and reviewed the relevant governmental approval.

We agreed to pay the village committee an aggregate compensation fee of RMB14.4 million. The government-run public entity provided a guarantee to us for the performance by the village committee of its obligations under the agreement.

If the agreement can no longer be performed due to an event of force majeure or material governmental policy changes, the agreement will terminate with immediate effect and the government-run public entity will unconditionally return to us the compensation fees, and construction fees incurred, together with the interest on these amounts at the bank loan rate for the relevant period.

We had prepaid, as of September 30, 2009, approximately RMB8.7 million for compensating the government-run public entity for its cost incurred, or to be incurred, in the approval procedures with respect to the land use rights and we expect to incur an additional cost of approximately RMB5.7 million in connection with this contractual arrangement. We expect to finance the total cost relating to this contractual arrangement using internal funds. We are in the process of completing the land approval procedures. The governmental approval procedure for changing the designated use of land to use for construction has been lengthier than anticipated. This in turn has deferred the auction for the respective land use rights. Subject to the actual progress of the project, we expect the government will hold an auction for the land use rights in 2010. We intend to, together with the counterparties, form a project company to participate in the auction and hope to acquire the land use rights.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. As of the Latest Practicable Date, we had not obtained the relevant land use rights. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. The village committee and the government-run public entity will not have any other rights or obligations under the agreement after we have acquired the relevant land use rights. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures. As a result, it is also difficult to predict the completion date for the project, which depends on, among other things, governmental approval.

(17) A contract for the transfer of contract rights and interests

We and two independent third parties (“Party A” and “Party B” respectively) entered into an agreement on the transfer of contract rights on September 30, 2007. Party A and Party B had previously entered into a land use rights transfer contract on September 22, 2006. Party A is a collectively owned company. Party B is a privately held company.

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We have assessed the respective interest of Party A and Party B in the relevant land and reviewed the relevant governmental approvals. We have conducted a due diligence review of, among other things, the background, business registration information and shareholders’ information with respect to the two independent third parties. After the relevant due diligence review, we concluded that Party A and Party B both had the legal capacities and business credibilities to enter into the agreement.

Under these two agreements, Party A transferred to Party B the land use rights for collectively owned construction land in Dongguan with an area of approximately 7,000 sq.m. and the buildings and structures thereon; Party A and Party B agreed to transfer to us the rights and interests of Party B in the land use rights transfer contract; and Party A agreed to assist us in acquiring the land use rights for this parcel of land through public auction. We agreed to pay transfer fees in the aggregate amount of RMB13,018,824, of which RMB6,500,000 is payable to Party A and RMB6,518,824 to Party B. We also agreed to pay fees related to the conversion of the collectively owned industrial land to state-owned residential land, the application for land use rights and permits, and other governmental approvals.

If we default in the payment of the transfer fees to either Party A or Party B, and the default continues for 30 days, both Party A and Party B may terminate the agreement and require us to pay the terminating party RMB1 million.

As of September 30, 2009, we had paid in full an aggregate amount of RMB13.0 million for our payment obligations in connection with this contractual arrangement. We financed the total cost using internal funds. We are in the process of completing the land approval procedures. Subject to the actual progress of the project, we expect the government will hold an auction for the project in the first half of 2010. We intend to, together with the counterparties, form a project company to participate in the auction and aim to acquire the land use rights. As of the Latest Practicable Date, we have not entered into any arrangement with the counterparties for this intended means of land acquisition.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. As of the Latest Practicable Date, we had not obtained the relevant land use rights. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures. As a result, it is also difficult to predict the completion date for the project, which depends on, among other things, governmental approval.

(18) A contract for an industrial park project

We and an independent third party entered into a project transfer contract and a supplementary agreement on November 14, 2007 and November 15, 2007, respectively. The independent third party is a collectively owned company.

We have assessed the interest of the independent third party in the relevant land and reviewed the relevant governmental approval. We have conducted a due diligence review of, among other things, the background, business registration information and shareholders’ information with respect to the independent third party. After the relevant due diligence review, we concluded that the independent third party had the legal capacity and business credibility to enter into the agreements.

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The independent third party agreed to transfer to us the entire anticipated profits arising from a parcel of land in Huizhou with an area of approximately 2 million sq.m. In addition, the independent third party agreed to transfer to us all of the related land use rights in two parcels comprising (i) a parcel of land with an area of approximately 1,233,334 sq.m., and (ii) upon completion of the required approval procedures, the remaining parcel of land with an area of approximately 766,667 sq.m. We are responsible for governmental approval procedures related to the land use rights for the remaining parcel of land with an area of 766,667 sq.m.

We had prepaid, as of September 30, 2009, approximately RMB65.0 million to be charged as a portion of payment for the transfer of the project and we expect to incur an additional cost of approximately RMB140.0 million in connection with this contractual arrangement. We expect to finance the total cost relating to these contractual arrangements using internal funds. We are in the process of completing the land approval procedures. The governmental approval procedure for changing the designated use of land to use for construction has been lengthier than anticipated. This in turn has deferred the auction for the respective land use rights. Subject to the actual progress of the project, we expect the government will hold an auction for the project in 2010. We intend to, together with the counterparty, form a project company to participate in the auction and hope to acquire the land use rights.

The agreement does not expressly contain any termination provision. Pursuant to the Contract Law of the PRC (中華人民共和國合同法), if an agreement does not contain termination provisions, the agreement will terminate when it has been fully performed in accordance with its terms or under the following circumstances: (i) all parties agree to terminate the agreement; (ii) the agreement can no longer be performed due to an event of force majeure; (iii) prior to the end of the term of the agreement, if a party clearly indicates (including through its action or inaction) that it will materially breach its obligation under the contract, the other non-breaching party may terminate the agreement; (iv) if a party delays its performance of a material obligation and, upon the other party's objection, fails to take corrective action within a reasonable time, the other party may terminate the agreement; (v) if the agreement can no longer be performed due to a party's delay in performing its obligation or other breaches, the other party may terminate the agreement; or (vi) other circumstances as provided by PRC laws.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law. As of the Latest Practicable Date, we had not obtained the relevant land use rights. If we acquire the relevant land use rights and obtain the requisite governmental approvals, we intend to develop a residential-commercial integrated property project on the land. There can be no assurance that we will be able to obtain the relevant land use rights, notwithstanding these arrangements and procedures. As a result, it is also difficult to predict the completion date for the project, which depends on, among other things, governmental approval.

Quality control and progress monitoring. With respect to each of these contractual arrangements, we have a dedicated team that is responsible for assessing the quality of the project and monitoring its progress. The team, which comprises members from both our risk management division and our land investment and project development division, submits its findings to our investment committee. The investment committee primarily consists of Sun Yuenan, Ye Jiansheng and Chen Gengxian, our executive Directors, and all of our other four vice presidents.

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With respect to these contractual arrangements, prior to the successful acquisition of land use rights, we intend to provide the funding to our counterparties in order to complete the relevant approval procedures. If we are successful in acquiring the land use rights, we will jointly develop the project with the relevant counterparty. As a property developer, we believe we have the requisite resources and expertise to fulfill our obligations under the contractual arrangements.

With respect to all of the above contractual arrangements set out in (13)–(18), if significant impediments emerge in the governmental approval procedures for transfer of land use rights, we will negotiate with our counterparties to terminate the relevant agreement in accordance with PRC laws and under the terms of the relevant agreement.

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)

As set out in the “Agreement on the transfer of investment and construction rights and redemption of the construction project of the Huidong section of Fu Kun Route of Highway G324 (Huancheng North Road)” entered into between the Huidong County Government and us on October 17, 2007, we were selected through public tender as the contractor for the Huidong section of Fu Kun Route of Highway G324 (Huancheng North Road). The total length of the highway to be constructed is approximately 13.11 kilometers.

Under the agreement, we have exclusive rights to invest in and construct the highway, and we hold rights and interests in the project during the construction period. The Huidong County Government is obligated to redeem the rights to the project when audited accounts of the project and settlement verification has been completed and within three months after completion of inspection for construction, and to pay us redemption fees. The redemption fees payable include our total investment in the project and a 10% annual rate of return on our investment for each year during the life of the project.

The Huidong County Government may terminate the agreement upon the occurrence of any of the following and require us to indemnify any economic losses it incurs: (i) the project is deemed to be terminated (including that (1) we notify the Huidong County Government in writing that the project has been terminated, (2) we are unable to commence construction within 30 days after the issuance of construction works commencement permit, (3) we are unable to resume construction 30 days after the an event of force majeure, and (4) we stop construction prior to completion date and are unable to resume construction within 30 days without the fault of the Huidong County Government and not due to an event of force majeure), (ii) we become bankrupt or insolvent, (iii) we substantially breach the agreement and fail to take corrective action within 30 days after the delivery by the Huidong County Government of notice of breach, or (iv) we use the assets of the project as collateral without consent of the Huidong County Government. Upon the occurrence of (i), (ii) or (iii) above, we are required to transfer the entire project to the Huidong County Government. If the Huidong County Government materially breaches the agreement and fails to take corrective action within 30 days after notice from us, we may terminate the agreement and require the Huidong County Government to indemnify the losses we incur. Upon such termination, we are obligated to transfer the project to the entity designated by the Huidong County Government, which is obligated to pay us relevant transfer fees equal to the redemption fees referenced above, which include our total investment in the project and a 10% annual rate of return on our investment for each year during the life of the project.

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We intend to finance the project using internal funds as well as a bank loan. Even if we do not secure sufficient bank loans or at all, we believe we will have adequate internal funds to finance this contractual arrangement. The construction work commenced in November 2007.

We had paid, as of September 30, 2009, approximately RMB48.6 million as a portion of investment for construction. In November 2008, the Transportation Bureau of Huidong County Government issued the approval on the project, in which it adjusted the total budget for this project to RMB252.5 million, including RMB65.0 million borne by Huidong County Government and RMB189.5 million to be invested by us. Accordingly, we adjusted our estimated total cost and expect to incur an additional cost of approximately RMB140.9 million in connection with this contractual arrangement. In addition, according to the approval issued by the Transportation Bureau of Huidong County Government, the construction work is expected to be completed by the end of March 2010.

Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law.

Quality control and progress monitoring. With respect to the contractual arrangement set out in 19, we have a dedicated team that is responsible for (a) assessing the quality of the project, in particular whether we are meeting the demands of each infrastructure development, and (b) monitoring the progress of each infrastructure development. The team, which comprises members from both our risk management division and our land investment and project development division, submits its findings to our investment committee. The investment committee primarily consists of Sun Yuenan, Ye Jiansheng and Chen Gengxian, our executive Directors, and all of our other four vice presidents.

With respect to this contractual arrangement, we provide the requisite funding and procure qualified contractors to undertake construction work for the relevant project. In addition, third party supervisors will be engaged to monitor the work of the contractors. As a property developer, we recognize the importance of engaging qualified contractors and supervisors in order to successfully complete construction work for infrastructure projects. As we outsource the relevant construction work to third parties, we believe we have the requisite resources and expertise to fulfill our obligations under the contractual arrangements.

With respect to the above contractual arrangement, if our counterparties materially breach the relevant agreement, we will terminate the agreement in accordance with PRC laws and under the terms of the agreement.

Contractual arrangements relating to primary land development

(20) A primary land development contract

In September 2006, we entered into a land development and renovation agreement with Pi County Land Resources Center (郫縣土地儲備中心) and Pi County State-owned Property Investment Operation Company (郫縣國有資產投資經營公司), under which the parties agreed to jointly renovate and develop a parcel of land located in Pi County, Sichuan Province (the “Original Agreement”). This parcel of land has an estimated area of approximately 229,460 sq.m. Under the Original Agreement, we agreed to provide RMB96,830,000 for the joint renovation and development works. The Original Agreement provided that (i) we are entitled to 60% of the profit from the sale of the state-owned land use rights for the parcel of land through public auction after the contemplated renovation and development is

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completed, and Pi County Land Resources Center is entitled to the remaining 40% of the profit, (ii) our minimum return shall not be less than 25% of our total investment, and (iii) our maximum return shall not be more than 50% of our total investment. Our PRC legal adviser is of the view that, since we provide funds and do not bear development risk because of the minimum return of 25% of our total investment as described in item (ii) above, the Original Agreement may be deemed to constitute a loan made by us to a government entity which is not in compliance with the PRC General Principles Regarding Loans (貸款通則).

In order to resolve this potential non-compliance issue, on June 16, 2008, we entered into a new land development and renovation agreement (the “New Agreement”) with Pi County Land Resources Center and Pi County State-owned Property Investment Operation Company, which effectively terminated the Original Agreement. We did not incur any financial losses as a result of terminating the Original Agreement. According to our PRC legal adviser, since we did not receive any return on our investment from the effective date to the termination date of the Original Agreement, we did not violate the PRC General Principles Regarding Loans and other relevant PRC laws and regulations. Accordingly, we did not and would not be subject to any penalties or other liabilities for non-compliance with or violations of the PRC General Principles Regarding Loans or other relevant PRC laws and regulations as a result of entering into the Original Agreement. Under the New Agreement, we agreed to provide RMB96,830,000 for the joint renovation and development of the land. We have paid such amount in full. We made the first payment of RMB60,000,000 on October 31, 2006 and the remaining RMB36,830,000 in full on November 30, 2006.

The New Agreement stipulates that (i) we are entitled to 60% of the profit from the sale of the state-owned land use rights for the parcel of land through public auction after the contemplated renovation and development is completed, and Pi County Land Resources Center is entitled to the remaining 40% of the profit, and (ii) our maximum return shall not be more than 50% of our total investment. Unlike the Original Agreement, the New Agreement does not include any provisions for minimum return to us.

We financed our payments for this project using internal funds. The renovation works commenced in December 2006 and were completed in December 2007.

The New Agreement will terminate after the parties have performed their respective obligations. The New Agreement does not specify the time at which the public auction will take place. However, if a successful public auction has not taken place 21 months after our first payment in the amount of RMB60,000,000, we have the right to terminate the New Agreement. Accordingly, we have the right to terminate the New Agreement on and after July 31, 2008 if a successful public auction for the land has not been completed by then, and as required under the New Agreement, Pi County Land Resources Center is obligated to return our investment upon our termination of the New Agreement. Our PRC legal adviser has confirmed that, because the New Agreement does not include any provisions for minimum return (which may be deemed to be not in compliance with the PRC General Principles Regarding Loans), does not violate PRC laws and regulations and represents the intent of the parties, the New Agreement is legal under PRC law.

The public auction for the land use rights has been delayed primarily due to the earthquake occurred in Sichuan Province on May 12, 2008 as well as the decline in local real estate market sentiment in 2008 and the first quarter of 2009 as a result of the recent global economic slowdown.

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Given the foregoing circumstances that were beyond the counterparty’s and our control, we did not exercise our right to terminate the New Agreement after July 31, 2008. On October 22, 2009, we entered into a supplemental agreement with Pi County Land Resources Center and Pi County State-owned Property Investment Operation Company, under which Pi County Land Resources Center agreed to return to us our total investment of RMB96,830,000 for this project and pay the additional amount of RMB38,730,000, representing the profit of approximately 40% of our total investment, by November 30, 2009. On October 29, 2009, a public auction for the land was held and successfully completed. We expect to receive our total investment and the profit by November 30, 2009 pursuant to the supplemental agreement.

(21) A primary land development contract

We entered into a primary land development contract with a district government on October 27, 2007, pursuant to which we agreed to participate in the primary development of a parcel of land in Shenyang, Liaoning province, with an area of approximately 3,873,335 sq.m. The development is divided into four phases.

We are responsible for providing the funds for the demolition and resettlement works. The district government is responsible for completing the development and publicly auctioning the land use rights within an agreed time frame.

After a successful public auction of the land use rights, we and the district government will be entitled to the economic benefits arising from the public auction. In accordance with the project plan, the government will transfer the land in 2008 through 2010 in separate phases, after which we will receive the return on our investment accordingly. With respect to the phase 1 of the project, the government will be entitled to proceeds at a rate of RMB520,000 per acre, or approximately RMB780 per sq.m., (including urban infrastructure fees of RMB120,000 per acre, or approximately RMB180 per sq.m.) and below, while we will be entitled to proceeds at a rate above RMB520,000 per acre, or approximately RMB780 per sq.m. We intend to enter into a supplemental agreement with the district government to determine the benefits sharing arrangement.

The district government may terminate the agreement and require us to indemnify all losses if the development is delayed due to our failure to make timely payment. We may terminate the agreement and require the return of all payments made, together with the interest on such payments at the bank loan rate for the relevant period, if the district government fails to transfer the initial phase of the land through public auction pursuant to the agreement and such failure continues for 30 days. Upon certain changes in land planning stipulated in the agreement, we will be entitled to the return on our investment together with interest, and we may terminate the agreement.

The primary land development work has commenced. In response to the recent global economic slowdown, we reduced the pace of our expansion into Shenyang in 2008. Accordingly, we and the district government adjusted the development schedule for this project. The primary land development work is expected to be completed in 2010.

We had prepaid, as of September 30, 2009, approximately RMB43.0 million in relation to the demolition and resettlement works and we expect to incur an additional cost of approximately RMB420.0 million in connection with this contractual arrangement. We intend to finance the project using internal funds.

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Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law.

Quality control and progress monitoring. With respect to each of these contractual arrangements set out in (20) and (21), we have a dedicated team that is responsible for (a) assessing the quality of the project, in particular whether we are meeting the demands of each primary land development, and (b) monitoring the progress of each primary land development. The team, which comprises members from both our risk management division and our land investment and project development division, submits its findings to our investment committee. The investment committee primarily consists of Sun Yuenan, Ye Jiansheng and Chen Gengxian, our executive Directors, and all of our other four vice presidents.

With respect to these contractual arrangements, we will provide the requisite funding. As a property developer, we believe we have the requisite resources and expertise to fulfill our obligations under the contractual arrangements.

With respect to all of the above contractual arrangements, if our counterparties fail to complete the land development pursuant to the relevant agreement, we will negotiate with the counterparties to terminate the relevant agreement in accordance with PRC laws and under the terms of the relevant agreement.

A contractual arrangement completed subsequent to September 30, 2009

(22) Contract relating to a joint development project

We entered into a cooperation agreement with an independent third party on January 30, 2007, pursuant to which we and the independent third party agreed to establish a project company to jointly develop a parcel of land anticipated to be obtained in the future with an area of approximately 82,933 sq.m. in Dongguan.

The independent third party is a collectively owned company. We assessed the application process for the land use rights and conducted a due diligence review of, among other things, the background, business registration information and shareholders’ information with respect to the independent party.

After the relevant due diligence review, we concluded that the independent third party had the legal capacity and business credibility to enter into the cooperation agreement. We also sought advice from our external legal advisers before we entered into the development agreement.

Under the agreement, we own an 80% equity interest in the project company and we are obligated to pay, subject to reimbursement, resettlement compensation fees of RMB25 million on behalf of the independent third party. The independent third party owns a 20% equity interest in the project company and is responsible for completion of the demolition and resettlement works. Once the project company has obtained a land use rights certificate, we are to be reimbursed by the independent third party the resettlement compensation fees of RMB25 million initially paid by us. The independent third party is entitled to 20% of the profits of the project company, and a land utilization fee payable by the project company at a rate of RMB1,400 per sq.m., based on the negotiation between us and the independent third party. We are entitled to 80% of the profits of the project company. If the project company does not obtain the relevant land use rights within five years from the date of the agreement, the agreement will terminate and the independent third party must return to us the resettlement compensation fees we

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paid on its behalf. Our PRC legal adviser has confirmed that, because the agreement does not violate PRC laws and regulations, and represents the intent of the parties, the agreement is legal under PRC law.

Upon completion of certain demolition and resettlement works, the government held an auction for a portion of the land with a site area of 54,548 sq.m. in September 2008. The project company successfully acquired the land as the winner of the auction and entered into the land grant contract with the local land resources bureau.

As of September 30, 2009, we had incurred approximately RMB21.7 million in connection with this contractual arrangement for the acquisition of the land use rights for the relevant land.

On October 29, 2009, the project company participated in the auction for the remaining land with a site area of 16,186 sq.m. (excluding the site area of roads and other infrastructure facilities). The project company successfully acquired the land as the winner of the auction and entered into the land grant contract with the local land resources bureau. As a result, this contractual arrangement has been completed. The newly acquired parcel of land will be included in our project land for the development of Yantian. For more information, see “— Description of Our Property Development Projects — Projects in the City of Dongguan in the Pearl River Delta region — (18) Yantian.”

PROPERTY DEVELOPMENT

We maintain a systematic development approach although each project development is designed to cater to the preferences of the specific target market. The diagram below summarizes the major stages typically involved in our development of a property project:

Land Acquisition	Project Planning and Pre-development Issues	Design	Construction	Pre-sale and Sale*	After Sales Services
- Land identification/evaluation - Equity target acquisition/due diligence - Market analysis - Feasibility study - Land acquisition	- Market analysis - Product positioning - Development planning and designing/conceptual design	- Outline design - Structural design - Construction design - Drawing - Landscape design - Interior design - Property management proposal	- Contractor selection - Supplies procurement - Construction monitoring - Completion check acceptance - Development project ownership	- Promote to potential purchasers - Apply for pre-sale permits - Sale and selling management - Possession - Deliver possession properties - Mortgage and registration support	- Unit property ownership certificates - Property management - Client service - Client activities and survey - Data analysis - Client database

Going forward, we intend to further standardize our scalable property development model and optimize our development process by establishing certain standard criteria and operational guidelines that may be replicated across our property projects.

SITE SELECTION AND MARKET EVALUATION

We believe site selection and market evaluation are major determining factors for the success of our property development business. Prior to acquiring a parcel of land, our management will consider key market factors that influence housing growth in the local area and make an informed decision based on market analyses and site research performed by our land acquisition team as well as the additional

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market information provided by Centaline and other third-party sources. These pre-acquisition measures help us acquire land prudently and develop our projects with clear market positioning from the outset. The key factors we consider in site selection are the following:

- size and population of the city;
- general economic condition and development prospect in the private business sector;
- infrastructure, urban planning and the development plan of the city by the local government;
- anticipated demand for private residential and commercial properties;
- purchasing power of the residents;
- income levels;
- site area and suitability for a large-scale residential property development or for an integrated commercial property development;
- location within the city, proximity to the city center, access to transport and commercial facilities;
- surrounding environment;
- existing and potential property developments in the area and historical property demand in that area;
- overall competitive landscape; and
- overall cost structure.

We typically select sites for our residential developments in suburban areas with access to public transport and other urban facilities. We typically select sites for our commercial developments in prime locations of CBDs in select cities.

LAND ACQUISITION

Under current PRC laws and regulations, land use rights for the purpose of industrial use, commercial use, tourism, entertainment and commodity housing development must be granted by the government through public tender, auction or listing-for-sale. When deciding to whom to grant the land use rights, the relevant authorities will consider not only the tender price, but also the credit history and qualifications of the tenderer and its development proposal. When land use rights are granted by way of a tender, an evaluation committee consisting of no fewer than five members (including a representative of the grantor and other experts) evaluates and selects the tenders that have been submitted. If land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to the highest bidder.

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Under current PRC laws and regulations, original grantees of land use rights may sell, assign or transfer the land use rights granted to them in the secondary markets. The “primary market” commonly refers to the grant of state-owned land use rights by relevant government authorities, and the “secondary market” commonly refers to the acquisition of land use rights from entities or persons which hold granted land use rights. PRC laws allow grantees of land use rights to dispose of the land use rights granted to them through secondary market sales, subject to the terms and conditions of the land use rights grant contracts and relevant laws and regulations. Unless otherwise required by relevant PRC laws and regulations, land acquisition in the secondary market is not subject to mandatory public tender, auction or listing-for-sale and can be accomplished by agreement among the relevant parties.

During the Track Record Period, we have successfully acquired land through the following means:

- public tender, auction and listing-for-sale organized by the relevant government authorities;
- acquisition of controlling equity interests in companies that possess the land use rights for targeted land;
- cooperative arrangements with third parties that hold the land use rights for targeted land;
- acquiring through public tender distressed and uncompleted properties which we believe have good development potential; and
- purchase of land use rights in the secondary market.

We intend to continue to expand our land reserves for new property developments through the primary market as well as the secondary market.

The following tables set forth certain land acquisition information with respect to our projects for future development:

Land acquisition through public tender, auction and listing-for-sale:

<u>Project name</u>	<u>Date of land grant contract or confirmation as the winner of the public listing-for-sale process</u>
Dongjiang Haomen (東江豪門)	November 2007
Chengdu Shangmao Garden (成都商貿園)	October 2007
Changsha Lake View Place (長沙水岸新都)	November 2007
Boluo (惠州博羅項目)	May 2008
Guangzhou Jiangnan Boulevard (廣洲江南大道)	May 2009
Yantian (雁田)	September 2008
Jiangyin Zongbu Garden (江陰總部經濟園)	September 2009

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Land acquisition through equity interest acquisition:

<u>Project name</u>	<u>Date of equity interest acquisition</u>
Li Langlu (李朗路項目)	July 2002
Fenglong Center (豐隆中心)	March 2007
Nan’Ao Kangbao (南澳康保項目)	August 2006
Jincheng Heights (錦城山莊)	June 2007
Huizhou Kaisa Center (惠州佳兆業中心)	December 2007
Shuangliu (華陽項目(雙流))	May 2007
Lijing Harbor (麗晶港)	June 2007 (acquisition of a 40% equity interest); July 2007 (acquisition of the remaining 60% equity interest)
Jiangyin Lake View Place (江陰水岸新都)	February 2008
Shanghai Shanhuwan Garden (上海珊瑚灣雅園)	January 2008
Tonghu (惠州潼湖項目)	May 2008

Land acquisition through cooperative arrangements with third parties:

<u>Project name</u>	<u>Date of governmental approval on the cooperative development</u>
Zhongyang Haomen (中央豪門)	March 2007

Land acquisition through purchase of land use rights in the secondary market:

<u>Project name</u>	<u>Date of title transfer with respect to the relevant land use rights certificates</u>
Mingcui Garden (茗萃園)	February 2007
<u>Project name</u>	<u>Date of purchase in the secondary market</u>
Wanzai (灣仔項目)	January 2007
Yuan Zhou (園洲項目)	March 2008

Our land bank includes completed properties held for sale, properties under development and properties for future development. As of September 30, 2009, we had approximately 1,388,764 sq.m. of GFA under development and approximately 10,840,538 sq.m. of GFA for future development. We expect to maintain sufficient land reserves to support our contemplated development needs and to sustain our business growth for the next five years.

FINANCING OF PROPERTY DEVELOPMENTS

Historically our main sources of funding for our property developments are internal funds, proceeds from pre-sales and sales of properties and borrowings from banks and other financial institutions. During the Track Record period, all of our payments of land premiums have been funded by internal funds and proceeds from the pre-sales of properties and equity financing. We typically use internal funds, proceeds from pre-sales and loans from PRC commercial banks to finance the construction costs for our property developments. We did not experience any early termination of banking facilities or early payment of outstanding loans required by the banks during the Track Record Period. From time to time, we also seek to obtain further funding to finance our project developments

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by accessing the international capital markets. We plan to use [●], bank borrowings, internal funds, proceeds from the pre-sales and sales of our properties, and other cash generated from our operation to finance our future payments of property developments.

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. You should refer to “Summary of Principal Legal and Regulatory Provisions” in Appendix V to this document for more information about relevant PRC laws and regulations.

PROJECT PLANNING AND DESIGN WORK

We have an engineering and procurement division and a design management division which work with our project managers as well as external designers and architects in project planning and design phases. Our senior management is regularly involved in our land acquisition and development process, especially in the master planning and architectural design of our projects. We have established written procedures to manage our planning and design process. By implementing these procedures, we can unify planning and overall coordination. We also implement a series of review and design guidelines for our planned projects.

We engage external design firms to carry out design work for our projects according to our design standards and guidelines. We select the design firm based on an evaluation of the proposed concept designs, technical capacities and track record in developing similar projects. Our design management division coordinates and works with the selected design firms in major aspects of the design process, including product positioning, master planning, concept design, layout and architectural design, landscape design and interior design.

Our design contracts generally include a price list and basis for calculating the design fees such as price per sq.m. of GFA and dispute resolution provisions. We generally make payments in installments according to the progress of a project and settle the balance of the contract amounts after the project has passed the requisite government inspections and acceptances. We adopt procedures for project monitoring and quality control during the construction process to ensure that the project construction complies with design drawings, regulations, technical standards and contract requirements.

PROJECT MANAGEMENT

We maintain a systematic development approach even though each project is specifically designed to cater to the target market. We have established various centralized divisions to oversee and control the major steps of our developments. These centralized divisions include the investment and development division, the engineering and procurement division, the design management division, the cost management division, the finance division and the customer services and sales division. Our land investment and project development division is responsible for performing market and site analysis on the feasibility of potential projects and preparing the preliminary budget for each new project. Our engineering and procurement management division manages our material procurement and project construction. Our design management division is responsible for ensuring that construction is conducted in accordance with our planning, project design and construction drawings. Our cost management division focuses on cost control in our project development process, particularly land acquisition, project planning and design, construction and finance. Our finance division is responsible for providing senior management with the relevant cost and other financial information in relation to our operations. Our

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customer service and sales division works with our other centralized divisions throughout the development process to ensure that our products meet market trends and regional preferences. The involvement of these centralized divisions in the process of a project development enables us to achieve consistency in project management and synergies across our various projects.

In order to effectively carry out daily development functions in projects in various cities and regions, we have established project companies in the respective cities or regions to implement the significant strategic decisions by our centralized divisions. Our engineering and procurement division is principally responsible for managing these project companies and coordinating among the centralized divisions and regional project companies at each stage of a development project.

PROCUREMENT

We directly purchase certain major building materials and equipment such as aluminum alloys and elevators from suppliers and engage them for the installation of such materials and equipment. The amount paid for materials directly procured by us constitutes only a small portion of our total costs of materials because most construction materials are procured through our construction contractors. We have established a screening and bidding process to select material suppliers. We make decisions in selecting suppliers based on a set of factors including product quality, production capacity, management and implementation capability, track record and after-sales services. Our construction contractors are responsible for procuring most construction materials. For procurement of key construction materials, we typically designate a few brands which the contractors are required to procure.

PROJECT CONSTRUCTION

We have historically contracted out all of our construction work to independent construction companies. These construction companies carry out various work including foundation levelling, civil engineering construction, equipment installation, internal decoration, landscaping and various engineering work. Under relevant PRC laws and regulations, a construction company is required to hold the relevant construction qualification certificate for the type of construction it undertakes. We have guidelines for selecting construction companies and typically invite at least three qualified construction companies to bid through a tender process. We limit our selection of construction contractors to those which have obtained the relevant construction certificates and necessary licenses, including construction enterprise qualification certificates, safety permits and permits for production of industrial products. When selecting construction contractors, we consider various factors including quality and safety, reputation, track record in similar-size projects, technical and construction capabilities and proposed construction schedule and price.

The construction contracts we enter into with construction companies typically provide for the completion date of the construction projects, quality and safety requirements mandated by relevant PRC laws and regulations and our quality standards and other specifications. Our construction contracts generally provide progressive payment arrangements according to construction phases until approximately 95% of the total contract price is paid. We typically withhold 5% of the contract sum for one to two years after the completion of construction as the additional quality warranty retention. During the Track Record Period, we did not experience any material problems with services provided by our third-party construction contractors.

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We established Shenzhen Taijian Construction & Engineering Co., Ltd. in July 2007. Shenzhen Taijian is a construction company with a provisional grade 3 qualification. To obtain a grade 3 qualification, an enterprise must meet certain conditions, including: (i) registered capital of no less than RMB6 million; (ii) net assets of no less than RMB7 million, (iii) the general manager must have no less than five years of engineering management experience, (iv) the chief engineer must hold at least a mid-ranking position within the profession and have no less than five years of construction engineering technology management experience; (v) employees must include no fewer than 10 grade 3 project managers, (vi) the financial manager must hold at least an entry-level accountant qualification and (vii) there must be no fewer than 50 professionals with the requisite qualification in engineering technology and the requisite qualification in economic management. A construction company with a provisional grade 3 qualification can only undertake limited construction works, including buildings lower than 14 floors with a span of less than 24 meters, structures lower than 70 meters, and residential complexes with a total GFA of no more than 60,000 sq.m. Shenzhen Taijian currently serves a managing role in our project construction works. We intend to continue to outsource our construction works to third-party construction companies.

During the Track Record Period, our five largest construction contractors were also our five largest suppliers. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, payments to our single largest construction contractor accounted for approximately 32.7%, 42.1%, 22.7% and 30.8%, respectively, of our total payments under contracts with our suppliers. For the same periods, payments to our five largest construction contractors accounted for approximately 57.6%, 54.1%, 53.0% and 61.4%, respectively, of our total payments under contracts with our suppliers. Of our five largest construction contractors, we have five years of business relationship with one of them, four years with one of them, and two years with three of them. None of our directors, their associates nor our Shareholders holding more than 5% of our issued share capital has any interest in the five largest construction contractors and suppliers.

QUALITY CONTROL AND CONSTRUCTION SUPERVISION

We emphasize quality control and adopt our quality control procedures to ensure that our properties and services comply with relevant rules and regulations relating to quality, safety and total permitted GFA and meet market standards. We adopt written selection and specification requirements for procurement of each type of material and equipment, including brand requirements, quality, technical standards, sample inspection and random quality inspection. We impose ingredient specifications for certain important construction materials such as cement. In addition, construction materials must go through the procedures of submission, sampling and testing before they are used in our projects.

We have adopted a construction plan design manual, which sets out the general classifications and illustrative guidelines for the quality specifications and parameters of our construction projects. It contains various aspects of design requirements, including construction and decoration, structural design, power supply, drainage and air conditioning systems, as well as environmental protection matters. In addition, we have adopted a manual for the general design of residential projects, which sets out the guidelines and requirements for our residential developments by classes and standards in terms of applications, environmental and economic functions, safety, and durability.

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We have formulated internal control standards and procedures to regulate all major processes and procedures in our construction works. We require external contractors to adhere to the guidelines in respect of our standards and procedures, comply with relevant PRC laws and regulations in carrying out their work, and report any deviations and instances of non-compliance. Our project engineers perform on-site supervision during our construction process and conduct progressive inspections at each construction phase. We assign evaluation teams to perform on-site evaluation reviews of our existing contractors periodically with respect to construction quality, safety control and their compliance with the relevant PRC regulations and standards relating to building materials and workmanship. We also prepare detailed quality evaluation reports for each unit of our projects after construction completion.

In addition, we engage independent third-party supervisory companies to monitor, control and manage the construction progress of our projects, including quality, cost control, safety, quality control of construction materials and equipment, and to conduct on-site inspection. Our contracts with supervisory companies generally set out payment terms, fee calculation methods and dispute resolution provisions. The supervisory fees are generally determined either at a negotiated percentage of the total construction cost of the construction project, or according to the number of supervisory personnel persons deployed. We generally make progressive payments to our supervisory companies according to construction phases until they complete the relevant services.

We are not responsible for any labor problems in respect of workers employed by our contractors or accidents and injuries that may be incurred by those workers on our construction sites if such accidents or injuries were not caused by us. These risks are borne by our contractors as provided for in our contracts with them. During the Track Record Period, we were not aware of any non-compliance by the construction contractors of the PRC laws and regulations relating to environmental protection, health and safety or labor disputes raised by our contractors or subcontractors.

We provide our customers with a warranty for the quality of the structure of the construction pursuant to the Measures on the Sales of Commodity Housing (商品房銷售管理辦法) and Regulations for the Operations of Urban Property Development (城市房地產開發經營管理條例). In addition, we also provide a quality warranty on certain fittings and fixtures, if applicable, usually for a period of two years according to the published national standards.

PRE-SALE

In line with market practice, we pre-sell properties prior to the completion of their construction. Under applicable PRC laws and regulations, the following conditions must be met prior to commencing any pre-sale of any particular property development:

- the land premium has been fully paid and the relevant land use rights certificate has been duly issued;
- the construction land planning permit, construction works planning permit and the construction works commencement permit have been duly issued;
- the funds contributed to the property development may not be less than 25% of the total amount required to be invested in the project;

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- the progress and the expected completion date and delivery date of the construction work have been ascertained; and
- a pre-sale permit has been duly issued by the relevant construction bureau or real estate administration authority.

In addition, our pre-sale activities are subject to the relevant regulations of the cities where our property projects are located. Our Directors confirm that we complied with the relevant regulations in relation to the pre-sale of properties in the cities where we have undertaken pre-sale activities during the Track Record Period. You should refer to “Summary of Principal Legal and Regulatory Provisions” in Appendix V to this document for more information about relevant PRC laws and regulations. For the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, the aggregate amount incurred as a result of defaults by our customers in pre-sales or sales contracts was approximately RMB1.4 million, RMB6.4 million, RMB4.6 million and RMB5.8 million, respectively, accounting for approximately 0.05%, 0.32%, 0.15% and 0.23% of the revenue derived from the sales of properties, respectively. During the Track Record Period, we did not encounter any defaults committed by our customers in pre-sales or sales contracts that had a material adverse effect on our business operations or financial condition. See the section entitled “Risk Factors — Risks Relating to the Property Development Industry in China — We are exposed to pre-sale related contractual and legal risks” in this document.

SALES AND MARKETING

Our sales team in our sales and customer service division is responsible for executing our overall marketing strategy and sales and product promotion plans. We provide training programs and courses to our sales staff with different levels of experience. Our sales team conducts market analyses, prepares promotional designs and project brochures, organizes on-site promotions, arranges advertising campaigns, recommends pricing, sets sales-related policies and manages our customer relationships.

Our sales and marketing model involves cooperation with Centaline. We cooperate with Centaline to jointly promote our products across different regional markets in China. Through cooperating with Centaline, we believe that we are able to share its national and regional market research and information, sell and pre-sell our properties through its property sales network in China and promote our products with its professional assistance and resources. 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 project-by-project basis. Pursuant to these agreements, Centaline 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 personnel, 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 it made upon the execution of the relevant property purchase contract. We believe that the range of the sales commission we pay to Centaline is in line with industry practice. The sales commission is calculated and settled in cash at the end of each calendar month during the term of the sales agency agreement. During the years ended December 31, 2006, 2007

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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 sales team and intend to engage Centaline and other professional property sales agencies to carry out marketing and sales services for our property projects in China.

We promote our products through various media including newspapers, the Internet, television, radio and outdoor billboards. We also conduct advertising campaigns by means of direct mail, phone text messages, and project promotional materials. As part of our sales strategy, we conduct on-site promotion and display units to potential customers. In addition, we engage a professional company to enhance awareness of our brand.

Our five largest customers accounted for less than 30% of our total revenue for each of the years ended December 31, 2006 and 2007 and the six months ended June 30, 2009. In the year ended December 31, 2008, our five largest customers accounted for approximately 33.8% of our revenue. In the year ended December 31, 2008 and the six months ended June 30, 2009, our single largest customer accounted for approximately 32.0% and 1.5%, respectively, of our revenue. In 2008, the single largest customer, an independent third party, purchased the office space of a total saleable GFA of approximately 79,498 sq.m. in Guangzhou Jinmao, which was completed in May 2008. This independent third party is a state-owned company. In January 2009, this independent third party purchased 100 car parking spaces in the same project. This independent third party was not one of our largest five customers in any of the years ended December 31, 2006 and 2007. Except for Guangzhou Jinmao, we and this independent third party did not enter into property sale transactions with respect to our other property projects. We believe our sales of properties in the future will not be affected by the position of this independent third party as our largest customer in the year ended December 31, 2008 and the six months ended June 30, 2009. As of the Latest Practicable Date, none of our Directors, their associates or any of Shareholders holding more than 5% of our issued share capital had any interest in or was associated with this independent third party. Each of the other four of our five largest customers accounted for less than 5% of our total revenue for the year ended December 31, 2008 and the six months ended June 30, 2009.

DELIVERY AND AFTER-SALES SERVICES

We endeavour to deliver our products to our customers in a timely manner. We closely monitor the progress of construction of our property projects and conduct pre-delivery property inspections to ensure the quality of our properties. The time frame for delivery is set out in the sale and purchase agreements entered into with our customers. Once a property project or project phase has passed the requisite inspections and is ready for delivery, our sales and customer service division will notify our customers, and together with representatives of the construction contractors and third-party supervisory companies, inspect the properties prior to delivery to ensure quality. Furthermore, our customer services and sales division generally assists the purchasers of our properties with mortgage financing applications, title registrations and obtaining their property ownership certificates.

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Our after-sales services is customer-oriented. Our objective is to ensure continued customer satisfaction. Our sales and customer service division is responsible for our after-sale services for each of our various projects. We offer multiple communication channels for our customers to provide feedback and complaints about our products or services, including a customer service telephone hotline. We also study customer satisfaction through third-party research. We also cooperate with our property management companies to handle customer complaints. We seek to make timely adjustments to products and services to meet our customers’ needs. As part of our after-sales services, we provide our existing customers with “Joy Club” (“佳族會”), our internal bimonthly publication, to introduce our culture, brand, various projects and promotional activities.

PAYMENT ARRANGEMENTS

Purchasers of our residential properties, including those purchasing pre-sale properties, may arrange for mortgage loans with banks. We typically require a purchaser to pay a deposit ranging between RMB20,000 to RMB30,000 upon signing of a preliminary sale and purchase agreement. If the purchaser later decides not to enter into a formal sale and purchase agreement, the purchaser will forfeit the deposit. The purchaser is typically required to pay from 20% to 30% of the total purchase price of the property on the date of execution of the formal sales and purchase agreement and the balance of purchase price is typically required to be paid within seven days thereafter. Mortgage application and approval are the purchaser’s own responsibility, but we assist them on an as-needed basis. The payment terms of sales and pre-sales of properties are substantially identical.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgage loans they offer to our purchasers. These guarantees are 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 for the mortgaged property, which is generally available within six months to one year after the purchaser takes possession of the relevant property. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding guarantees over the mortgage loans of our purchasers amounted to RMB1,267.5 million, RMB873.9 million, RMB1,629.0 million and RMB2,444.1 million, respectively. 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 believe, in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. See “Risk Factors — Risk Relating to Our Business — We guarantee mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage loans” in this document.

PROPERTY MANAGEMENT

We have four property management companies, Shenzhen Kaisa Property Management, Shenzhen Leisure Land, Guangzhou Jinmao Property Management and Dongguan Kaisa Property Management, which currently manage the properties we developed. We also have Chengdu Kaisa Property Management, which is expected to provide property management services upon completion of certain of our properties under development or for future development in Chengdu. All five of these companies are our indirect wholly-owned subsidiaries. Shenzhen Kaisa Property Management currently provides property management services to most of the properties that we develop. Shenzhen Leisure Land

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provides property management services for Shenzhen Kaisa Center. Guangzhou Jinmao Property Management provides property management services for our Guangzhou Jinmao. Dongguan Kaisa Property Management provides property management services for Zhongyang Haomen located in Dongguan. We expect Chengdu Kaisa Property Management to provide property management services for our projects in Chengdu, including Lijing Harbor, Shuangliu and Chengdu Shangmao Garden, which are expected to be completed in 2011, 2012 and 2011, respectively. The property management agreements between our property management companies and the property owners set forth the scope and the quality requirements of the services provided by our property management companies. Our property management companies typically provide after-sales services to purchasers of our properties, including maintenance of public areas and facilities, rental of car parking spaces, security, operation of clubhouse, gardening and landscaping and other services. The property management agreements also set forth the payment arrangements of management fees. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we derived revenue from our property management services of RMB3.7 million, RMB11.1 million, RMB40.3 million and RMB26.2 million, respectively. Under PRC laws and regulations, the owners’ association of a residential community has the right to change property management companies pursuant to certain procedures. As of the Latest Practicable Date, owners of all of our property developments who had become statutorily entitled to elect their property management companies continued to choose our property management companies to manage their properties. See “Risk Factors — Risk Relating to Our Business — Property owners may terminate our engagement as the provider for property management services” in this document.

HOTEL OPERATION, REDEVELOPMENT AND DEVELOPMENT

Hotel operation and redevelopment plan

We, through Leisure Land, operate Keyu Golden Bay Resort, an ocean front hotel located on Jinshawan Beach within a resort area on the outskirts of Shenzhen. We acquired the hotel from the independent third parties through an acquisition of 100% equity interest held by them in the target company that owned the hotel properties and the land use rights for the underlying land in May 2009. We financed the acquisition with our internal funds and have fully settled the total purchase price of RMB260.0 million, which was negotiated and determined on an arm’s length basis primarily with reference to the values of hotel properties and the underlying land held by the target company.

Keyu Golden Bay Resort has a site area of 34,728 sq.m. and a total GFA of 17,901 sq.m. This five-storey hotel currently comprises a total of 156 rooms and provides facilities, including conference rooms.

We intend to redevelop Keyu Golden Bay Resort to further enhance its attraction to individual and corporate customers and marketability. We did not retain any member of the former management of this hotel after our acquisition. Our hotel management team in Leisure Land is currently operating the hotel until the redevelopment commences. The hotel management team comprises eight members, all of whom have over five years of experience in hotel operations. All of these eight hotel management members have worked in five-star hotels. We intend to engage an internationally recognized hotel management company to manage and operate the hotel upon the completion of the redevelopment. According to our current preliminary redevelopment plan, the redeveloped complex is expected to consist of a renovated hotel and service apartments. We are currently in the process of preparing the detailed redevelopment plan. As of the Latest Practicable Date, we had not commenced the redevelopment and had not made

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any capital commitment in connection with redevelopment of this hotel. We intend to commence the redevelopment in 2012. Under the current preliminary redevelopment plan, the redevelopment is expected to be completed in 2014 and the estimated total capital budget for this redevelopment is approximately RMB313.4 million.

Hotel development

We intend to enter into the hotel development business, and to develop one hotel in the city of Chengdu, one hotel in the city of Huizhou and one hotel in the city of Jiangyin. We believe the demand for high-quality hotels in Chengdu, Huizhou and Jiangyin will grow as their economies continue to grow.

We will develop the hotel in Chengdu as a part of our Chengdu Shangmao Garden project, the hotel in Huizhou as a part of our Huizhou Kaisa Center project and the hotel in Jiangyin as a part of Jiangyin Zongbu Garden. As of September 30, 2009, Chengdu Shangmao Garden, Huizhou Kaisa Center and Jiangyin Zongbu Garden were projects for future development. We had obtained the relevant land use rights certificate for Chengdu Shangmao Garden and Huizhou Kaisa Center. We obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale of the land for Jiangyin Zongbu Garden in September 2009 and expect to obtain the relevant land use rights certificate for this project by July 2010. The hotel in Chengdu is expected to be a four-star hotel with a GFA of approximately 19,240 sq.m., and approximately 300 rooms. The hotel in Huizhou is expected to be a five-star hotel with a GFA of approximately 13,000 sq.m., and approximately 300 rooms. The hotel in Jiangyin is expected to be a five-star hotel with a GFA of approximately 35,000 sq.m., and approximately 300 rooms.

We intend to engage internationally recognized hotel management companies to manage and operate the hotels upon the completion of their construction. We believe that by engaging hotel management companies to manage our hotels, we will be able to benefit from their reputation and brand recognition, hotel management and operating experience, an advanced management model as well as global reservation systems and employee training programs.

As of September 30, 2009, we had not commenced construction of these three hotels, and expect to commence construction of these hotels in 2010. All of these three hotels are expected to be completed in 2012.

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.

Based on our management records, the total development costs incurred as of September 30, 2009 were approximately RMB4.3 million for the hotel in Chengdu, approximately RMB13.5 million for the hotel in Huizhou and approximately RMB7.0 million for the hotel in Jiangyin. Based on the current development plans, we expect that the additional cost to be incurred for development of the hotel in Chengdu, the hotel in Huizhou and the hotel in Jiangyin is approximately RMB55.3 million, RMB98.1 million and RMB146.7 million, respectively.

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INVESTMENT PROPERTIES

We develop commercial properties such as office buildings, retail stores and car parking spaces for leasing purposes. We believe these properties help to maintain our recurring revenue. Our commercial leases are generally for terms of three to four years. If there are anchor tenants renting relatively large areas at our commercial properties, or whose presences are expected to attract other tenants, we may consider offering them leases for terms of between 10 and 20 years, with annual rental reviews with reference to fixed percentage increases. Rents are typically determined based on prevailing market rates and calculated on a per square meter basis. We may choose to sell the commercial properties we have developed when we believe that sales would generate a better return on investment than rental. We intend to retain certain of our commercial properties under development and for future development for long-term investment purposes. In managing our investment property portfolio we will take into account estimated long-term growth potential, overall market conditions and our cash flows and financial condition. The rental income derived from our investment properties represented 0.02%, 0.4%, 1.0% and 1.4%, respectively, of our revenue for the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009.

The table below summarizes certain information with respect to our investment properties as of September 30, 2009.

Investment Properties	Type	Total GFA held for investment (sq.m.)	GFA of tenanted portion (sq.m.)	Occupancy rate	Total monthly rental as of September 30, 2009 (RMB)	Range of rental period	Reference to Property Valuation Report
Shenzhen Kaisa Center. .	Retail	19,555.7	19,481.1	99.6%	1,612,878	2–12 years	43
Woodland Height (Phase 4)	Retail	4,918.4	4,918.4	100.0%	375,770	1–9 years	44
Woodland Height (Phase 6)	Retail	3,713.4	3,713.4	100.0%	146,501	2–20 years	44
Guangzhou Jinmao	Retail	38,201.6	32,849.7	86.0%	4,377,185	3 months to 15 years	45
Guangzhou Jinmao	Car parking spaces	6,756.4	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	45
Total		<u>73,145.4</u>	<u>60,962.6</u>		<u>6,512,334</u>		

Note:

(1) We do not hold these car parking spaces for long-term lease but for hourly parking income.

PROPERTIES USED BY US

Our corporate headquarter is in Shenzhen Kerry Center which is located in Luohu District, Shenzhen, with a GFA of approximately 542 sq.m. As of September 30, 2009, we owned a total GFA of approximately 542 sq.m. which we use primarily as our office premises in Shenzhen. Our office premises in Shenzhen primarily consist of Rooms 3303–04 in the Kerry Center, which was acquired by us in 2006, and most of the office space on the 5th floor of the Shenzhen Kaisa Center, which was

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retained and owned by us since 2006. In addition, as of September 30, 2009, we rented properties with a total GFA of approximately 7,963 sq.m. in Shenzhen, Guangzhou, Dongguan, Chengdu, Shanghai, Jiangyin, Hong Kong, Huizhou, Changsha and Zhuhai. We use these rented properties are primarily used as office premises. As of the Latest Practicable Date, other than the lease agreements for office space we rent in Fuda Commercial-Residential Building in Zhuhai and for office space we rent in Tower W1, Oriental Plaza in Beijing, all of our other lease agreements have been registered with the relevant authorities. The lease agreement with respect to Fuda Commercial-Residential Building has not been registered because the local government has yet to implement a lease registration system in Zhuhai. As advised by our PRC legal adviser, since the lease registration system is not available in Zhuhai, the fact that the lease agreement with respect to Fuda Commercial-Residential Building has not been registered will not affect the validity of the agreement. We are currently in the process of registration application for the lease agreement with respect to Tower W1, Oriental Plaza.

COMPETITION

We believe that the property markets in the Pearl River Delta region are highly fragmented. We compete with other real estate developers based on a number of factors including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Our existing and potential competitors include private and public developers in the PRC and Hong Kong. Our competitors may have more experience and resources than we do. We believe we maintain a competitive position with our well-known “Kaisa” brand in the Pearl River Delta region. We have entered the Chengdu-Chongqing region, the Central China region and the Yangtze River Delta region, and we intend to enter other regions in China, including the Pan-Bohai Bay Rim. We believe major barriers to enter into these markets include a potential new entrant’s limited knowledge of local property market conditions and limited brand recognition in these markets. For more information on competition, please refer to the section titled “Risk Factors — Risks Relating to the Real Estate Industry in China — Intensified competition may adversely affect our business and our financial position” in this document.

INTELLECTUAL PROPERTY RIGHTS

Currently, we have 90 trademark applications, pending in the PRC Trademark Office, of our brand name “佳兆业” and logo “” under various categories, including property development, construction, property management and real estate agency. We applied for the registration of these 90 trademarks in May 2007. The PRC Trademark Office will determine whether the trademarks are able to be registered, whether our application for trademark registration is in compliance with the relevant laws and regulations in relation to trademarks, and whether the trademark is identical with or similar to other trademarks that have been registered or accepted in respect of identical or similar goods or services. As advised by our PRC legal advisers, the registration process generally takes approximately 12 to 18 months, and a period of 24 months is usually needed before the trademark registration certificate will be issued. In August 2009, six of our trademark applications were registered, and additional eight of our trademark applications received preliminary approvals and were published in the PRC Trademark Gazette. If no opposition against our applied trademarks is filed within three months after publication, the application will be deemed registered. Our other trademark applications were still under the review of the PRC Trademark Office as of the Latest Practicable Date. In addition, we have registered two trademarks covering our logo in Hong Kong. See “Statutory and General Information — Intellectual property rights of the Group” in Appendix VII to this document. According to our PRC legal adviser,

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while the relevant trademark applications are pending, we may limit unauthorized third-party use of these trademarks under the PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法). We did not experience any infringement of our intellectual property rights during the Track Record Period and we are not aware of any material unauthorized use of our brand name or logo or other forms of our brand image as of the Latest Practicable Date. We believe that although the registration of the relevant trademarks is pending, our business operation will not be materially affected. Our Directors confirm that we had not committed any infringement of intellectual property rights as of the Latest Practicable Date.

INSURANCE

We maintain group accident insurance for our employees. The insurance primarily insures our employees for personal injuries in our workplace or on our construction sites. We do not, however, maintain property damage or third-party liability insurance for our workplace, construction sites or property developments. Under PRC law, these types of insurance are not mandatory and may be purchased on a voluntary basis. We and our construction contractors monitor the quality and safety measures adopted at our construction sites to lower the risks of damage to our property and liabilities that may be attributable to us. We re-evaluate the risk profile of the property development business and adjust our insurance practices from time to time. We believe we have sufficient insurance coverage in place and that our insurance practice is in line with the customary practice in the PRC real estate industry.

However, there are risks that are not covered, and we are self-insured for money losses, damages and liabilities that may arise in our business operations. See the section entitled “Risk Factors — Risks Relating to Our Business — We may suffer certain losses not covered by insurance” in this document.

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. We are required to engage qualified agencies to conduct an environmental assessment and submit an environmental impact assessment report to the relevant government authorities for approval before construction begins. Under relevant PRC laws and regulations, when there is a material change in respect of the construction site, or the scale or nature of a project, a property developer must submit a new environmental impact assessment report for approval. During the course of construction, the property developer and the construction companies must take measures to minimize air pollution, noise pollution and water and waste discharge. Upon completion of each property development, the relevant government authorities will inspect the site to ensure that applicable environmental standards have been met. The resulting report is then submitted together with other specified documents to the local construction administration authorities for the record. See the section entitled “Risk Factors — Risks Relating to Our Business — Potential liability for environmental damages could result in substantial cost increases” in this document.

During the course of property development, our construction may result in the creation of dust, noise, waste water and solid construction waste. Our construction contractors, under the construction contracts, are responsible for performing all necessary measures to prevent pollution and enhance environmental control of the construction sites and to comply with relevant laws and regulations. We endeavor to comply with relevant PRC laws and regulations on environmental protection and safety by (i) engaging qualified construction contractors and requiring the construction contractors to take steps to minimize adverse environmental impact during construction and to be responsible for the final clean up

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of the construction site, (ii) monitoring the project at every stage to ensure the construction process is in compliance with the environmental protection and safety laws and regulations, and (iii) requiring the construction contractors to immediately remedy any default or non-compliance.

Inspections of each of our completed property projects by the relevant PRC government authorities to date have not revealed any environmental liability which we believe would have a material adverse effect on our business operations or financial condition.

During the Track Record Period, we did not experience any material environmental pollution incidents and we incurred insignificant costs in connection with our compliance with environmental and safety laws and regulations. As of the Latest Practicable Date, all of our completed property projects and properties under construction had received the requisite environmental approvals.

We monitor the safety measures adopted by our construction contractors and safety aspects of the construction process through engaging independent third-party supervisory companies to oversee compliance with environmental and health and safety laws and regulations. See “— Quality Control and Construction Supervision” for further details. In relation to workplace safety on our construction sites, our construction contractors are generally responsible for any accidents or injuries not caused by us. We also require our construction contractors to purchase accident insurance to cover their workers and to adopt appropriate safety measures, including providing workers with safety training.

We believe that our operations are in compliance with currently applicable national and local environmental and health and safety laws and regulations in all material respects. We intend to continue to comply with relevant PRC environmental and health and safety laws and regulations, to engage only qualified construction contractors with good environmental protection and safety track records and to require the construction contractors to strictly comply with relevant laws and regulations relating to environment and health and safety and to maintain appropriate insurance. We will also continue to educate our employees in relation to the importance of environmental and safety and health issues and to keep abreast of developments in PRC environmental laws and regulations. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we incurred the total costs in connection with environmental and health and safety compliance of approximately RMB4.3 million, RMB7.9 million, RMB11.1 million and RMB4.9 million, respectively, representing approximately 0.24%, 0.63%, 0.49% and 0.26% of our cost of sales in the corresponding periods, respectively. We expect that, for the years ending December 31, 2009 and 2010, our total costs in connection with environmental and health and safety compliance will be no more than 0.6% of the annual cost of sales, subject to the changes to our project development schedules and the relevant environmental and health and safety laws and regulations. We do not expect on-going compliance to affect our business, operations and financial conditions in any material respect.

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

During the Track Record Period, we were involved in legal proceedings or disputes in the ordinary course of business including claims primarily relating to contract disputes with our contractors and our purchasers. As confirmed by our Directors, we were not involved in any outstanding lawsuit which involved claims of over RMB1.0 million as of the Latest Practicable Date. We are not implicated in or aware of any other material legal proceedings or claims currently existing or pending against us. See the

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section entitled “Risk Factors — Risks Relating to Our Business — We may be involved from time to time in disputes, legal and other proceedings arising out of our operations and may face significant liabilities as a result” in this document.

On September 26, 2003, the Shenzhen Municipal Bureau of Land Resources and Housing Management issued an order seizing a portion of the Fenglong Center with a total GFA of approximately 125,694 sq.m. In 2001, Jinshan Trade Company had applied for a loan in the amount of RMB19.1 million from the Shenzhen Development Bank, with Fenglong Group acting as the guarantor. Jinshan Trade Company is a wholly foreign owned enterprise established by Hong Kong Da Xin Industry (Group) 香港大信實業(集團), and is an independent third party. In September 2003, the Shenzhen Development Bank, in response to a default in payment by Jinshan Trade Company, applied for a seizure order for land lot number B124-27 located at the Fenglong Center. The maximum liability for the seized property was approximately RMB25.3 million. The seizure order was issued prior to our acquisition of Fenglong Group in March 2007. Upon acquiring Fenglong Group, we assumed liabilities in connection with Fenglong Group’s obligations as guarantor. Before the acquisition of Fenglong Group, we engaged external advisers to conduct due diligence review with respect to Fenglong Group and the land held by it. Because the guarantee was granted prior to our acquisition, we are unaware of the reason underlying the initial decision to grant the guarantee. However, we had taken into account Fenglong Group’s guarantee obligations when determining our acquisition cost. In determining the amount for the acquisition of the Fenglong Group, we primarily took into account the debt profile of Fenglong Group as well as the value of the land it held. We acquired 55% of Fenglong Group for a consideration of RMB10,000. Of the 55% interest we acquired, approximately 6% was purchased from 飛達集團有限公司 (Fitter Holdings Limited) and 49% was purchased from 深圳市寶天投資有限公司 (Baotian Investment Co., Ltd.). The liabilities we assumed included our proportional share (55%) of the following: the repayment of approximately RMB196.9 million of debt owed by Da Xin Group (China) Limited (大信集團(中國)有限公司) (a connected party to the Fenglong Group and Fitter Holdings Limited); a loan of RMB19.1 million from the Shenzhen Development Bank to Jinshan Trade Company; interest on these principal amounts accrued prior to November 15, 2006 in an aggregate amount not to exceed RMB20.0 million; and interest on these principal amounts accrued subsequent to November 15, 2006. Da Xin Group (China) Limited and Fitter Holdings Limited were responsible for the payment of interest on exceeding RMB20.0 million accrued prior to November 15, 2006. As confirmed by our PRC legal adviser, because the relevant land grant contract does not contain an expiry date and there have been no circumstances that may give rise to the termination, rescission or invalidation of the contract, the land grant contract is legal, valid and enforceable. As our current development schedule of Fenglong Center takes into account our plan to pay the portion of the debt and the accrued interest for which we are responsible and the progress of the demolition and resettlement work, we believe the development of Fenglong Center will not be affected by the seizure of the properties. Once the project can be pre-sold (currently expected to be before October 1, 2013), we will pay 55% of the RMB196.9 million debt and the accrued interest of no more than RMB162.7 million as well as the RMB19.1 million loan and the accrued interest of no more than RMB14.2 million for which we are responsible. Our PRC legal adviser has confirmed that upon such payment, the properties seized will be released. Accordingly we believe that the development of the Fenglong Center will not be affected by the seizure of the properties. We have no other project that is subject to any court order or judgment.

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During the Track Record Period, we did not encounter any circumstances that led to material construction delays or received any material claims from our customers for our failure to complete any pre-sold project on time or for our delay in the delivery of ownership certificates. See the section entitled “Risk Factors — Risks Relating to Our Business — We may not be able to complete our development projects on time or at all” in this document.

COMPLIANCE WITH RELEVANT PRC LAWS, REGULATIONS AND REQUIREMENTS

During the Track Record Period, we were in compliance with the relevant PRC laws, regulations and requirements that mandate the possession of the relevant real estate developer qualification certificates for all our completed projects and projects under development. Our project companies that are not currently developing any property projects will apply for real estate developer qualification certificates before they undertake any property development. Under the Regulations on Administration of the Development of Urban Real Estate (城市房地產開發經營管理條例) promulgated by the State Council in July 1998, an enterprise which is to engage in development of real estate must satisfy the following requirements: (i) its registered capital must be RMB1 million or more, and (ii) it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold a relevant qualification certificate. Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for qualification submitted by real estate developers by considering the professional personnel in their employment, their financial condition and their operating results. The renewal of real estate developer certificates is subject to relevant annual renewal procedures established by local authorities. During the Track Record Period, we had not been denied renewal, or experienced any suspension during the renewal, of any of our qualification certificates. We intend to ensure our ongoing compliance with the requirements of the requisite approvals, permits, licenses and certificates by requiring all our operating divisions and project companies to adhere to the relevant conditions imposed by government authorities. We have established committees at our Group and regional levels that are responsible for monitoring the procedures for obtaining and renewing the required certificates, permits and licenses for our property developments. Each committee comprises one or more members of senior management, a manager from the engineering division, a manager from the land investment and project development division and legal personnel.

During the Track Record Period, two of our projects, the Dijingwan project and the Zhongyang Haomen project, were subject to late payments in respect of idle land. The late payments in both cases were due to the failure to commence development by our third-party joint developers, who held the respective land use rights, before we entered into cooperative arrangements with them. We had taken into account the idle land fees when we negotiated the terms of our cooperative arrangements for each of these projects with the respective third-party joint developer. The late payment in respect of idle land for the Dijingwan project in an amount of approximately RMB4.6 million was fully paid on June 19, 2007. The late payment in respect of idle land for Zhongyang Haomen in an amount of approximately RMB5.4 million was fully paid on September 14, 2006. During the Track Record Period and through the Latest Practicable Date, we had not received any other warning regarding idle land or paid any penalties for the late payment of land premium or in respect of idle land, and none of our land had been taken back by the government as a result of being idle for two years. With respect to our properties held for future development, as of the Latest Practicable Date, we had been in compliance in all material respects with the provisions applicable to property development set forth in the Notice on Promoting the Economic Use of Land (關於促進節約集約用地的通知) (the “Notice”) issued by the State Council on January 3, 2008, and we did not have any land which was deemed idle land under the Notice or subject

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to reclamation by the PRC government. See the section entitled “Risk Factors — Risks Relating to Our Business — 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” in this document.

As of the Latest Practicable Date, the land use rights for all the parcels of land in our land bank were within the relevant land use rights grant periods as set out in the relevant land grant contracts or land use rights certificates and we had not received any notice of land forfeiture due to our failure to commence development and construction. As of the Latest Practicable Date, as advised by our PRC legal adviser, we were not subject to any circumstances that would give rise to any risk of land forfeiture by the relevant PRC authorities.

Our PRC legal adviser has confirmed that as of the Latest Practicable Date we were in compliance in all material aspects with the relevant rules, regulations, registration requirements imposed by the relevant PRC authorities in relation [●], including but not limited to those set out in the SAFE’s Notice Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) issued on October 21, 2005.

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 and property management, including the regulations that mandate the possession of relevant valid licenses, certificates and permits. We intend to ensure our ongoing compliance with the requirements of the requisite licenses, certificates, and permits by requiring our operating divisions and project companies to strictly adhere to the relevant conditions and renewal requirements imposed by government authorities.

As of the Latest Practicable Date, we were not aware of potential liability as a result of pre-existing non-compliance with applicable laws and regulations or agreements binding on our acquired companies. Our Directors confirm that, during the Track Record Period, the companies acquired by us had been in compliance in all material respects with applicable laws and regulations and agreements binding on the acquired companies. In order to avoid and prevent non-compliance of the applicable laws and regulations, we sought and will continuously seek advice from our legal staff and from our external legal advisers, where necessary. Each of Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Kwok Chun Wai has entered into a deed of indemnity in favor of us to provide indemnities against, among other things, any losses, damages, penalties and fines arising from any non-compliance of any applicable laws and regulations.

During the Track Record Period, we paid overdue taxes with an aggregate amount of approximately RMB5.4 million, late payment fees with an aggregate amount of approximately RMB2.0 million and related penalty fines of approximately RMB501,399 for certain instances of noncompliance with the relevant PRC tax laws and regulations. These instances of non-compliance were primarily due to the inaccurate calculation of costs and expenses arising from our property development and inadequate monitoring of tax matters. As of the Latest Practicable Date, we had fully settled these overdue taxes, late payment fees and related penalty fines. To ensure compliance with relevant tax laws and regulations, we have assigned two members of our accounting staff to overall monitor tax matters, and such staff are accountable to our president and vice president of finance. They are responsible for reviewing the tax liabilities calculated by each of our project companies, preparing and filing tax

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returns, auditing our tax liabilities and recording the tax filings. In addition, our finance division conducts internal training sessions for our accounting staff when there are any changes to accounting policy or tax laws.

Our Company is satisfied that it is capable of carrying on its business independent of its Controlling Shareholders.

IMPACT OF THE RECENT GLOBAL ECONOMIC SLOWDOWN AND FINANCIAL CRISIS

The recent global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have resulted in an increased level of commercial and consumer delinquencies, lack of consumer confidence, decreased demand for products, and increased market volatility. In particular, the economic slowdown in China caused a decline in real estate market sentiment and a decline in property prices in many areas of the PRC, including the Pearl River Delta region, since 2008. The negative impact of the recent global economic slowdown on our business is manifold and contributed to the deterioration of our results of operations and financial condition in 2008. For example:

- the uncertain economic prospect resulted in lower demand for our properties and a decline in their selling prices, which in turn resulted in a decline in our sales revenue, a decline in our gross profit margin and a write-down of our inventories. In particular, in 2008, we incurred and recognized impairment losses of RMB58.0 million on the land use rights and completed properties held for sale in Mingcui Garden Phase 1 and impairment losses of RMB155.0 million on the land use rights and the properties under development in Lijing Harbor Phase 1, primarily because our pre-sales and sales of properties in these two projects were adversely affected by the recent global economic slowdown. We experienced a loss in the second half of 2008 primarily due to the unfavorable real estate market conditions as a result of the recent global economic slowdown. Our profit for the year ended December 31, 2008 was RMB500.9 million, even though our profit for the six months ended June 30, 2008 was RMB632.5 million;
- there was a significant decline in fair value of our investment properties, in particular, Guangzhou Jinmao, as a result of the downturn in the PRC property market. Fair value of our investment properties decreased in the second half of 2008, as a result of which fair value gains on our investment properties were RMB302.6 million for 2008, even though fair value gains on our investment properties for the first half of 2008 were RMB575.4 million;
- the recent global financial turmoil and the tightening of credit have resulted in a general credit crunch and negatively impacted our liquidity and ability to obtain additional financings for our property development, which in turn adversely affected our business expansion, development schedules and cash flow position in 2008; and

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- given the adverse change in the global economy and the real estate market in China, we have scaled back our original business expansion plans, and postponed the completion and development schedules of some of our projects.
- we postponed completion schedules of our (i) properties under development in 2008, and (ii) properties held for future development that were originally expected to be completed in 2008 as follows:

Project	Phase	Commencement time	Completion time	Actual completion time/Estimated completion time as of September 30, 2009
			estimated prior to June 1, 2008	
Xiangrui Garden (香瑞園).	—	November 2007	December 2008	February 2009
Jiangyin Lake View Place (江陰水岸新都).	1	June 2008	December 2008	April 2009
Mingcui Garden (茗萃園).	2	November 2007	July 2009	August 2009
Zhongyang Haomen (中央豪門) .	1	January 2008	May 2009	June 2009
	2	June 2008	June 2009	December 2009
Dijingwan (帝景灣).	—	April 2008	May 2009	March 2010

We postponed the completion and delivery of these properties to the extent such postponements were allowable under the relevant pre-sales and sale and purchase agreements, and were not subject to any late delivery penalty under the pre-sales or sale and purchase agreements for the year ended December 31, 2008 and through the Latest Practicable Date. However, the delays in our property development schedules have resulted in fewer completed properties being delivered in 2008 than we originally planned and adversely affected our financial positions in 2008; and

- we also slowed the pace of our development schedules for most projects held for future development. We adjusted our development schedules for the projects held for future development to ensure that we had available resources to finance our projects under development in 2008. We did not suffer any legal consequences of such schedule adjustment which resulted in a material adverse impact on our results of operations or financial position. As of the Latest Practicable Date, we were not aware of any circumstances that may lead to potential liability due to our delay in development schedules for projects under development or held for future development as a result of the recent global economic slowdown and financial crisis.

While the PRC Government and governments around the world have taken remedial actions to address the economic slowdown and financial market crisis, there can be no assurance that these actions will be effective. It is difficult to determine the continued impact of the global economic slowdown and financial crisis on the real estate industry in China due to its unprecedented nature. If the current global economic slowdown and financial market crisis continue or become broader than currently estimated, they could materially and adversely affect our business prospects, revenues, cash flows and financial condition.

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BUSINESS INDEPENDENCE OF OUR GROUP

Our Directors consider that we will be able to operate independently from the Controlling Shareholders as evidenced as follows:

- (i) Except for Mr. Kwok Ying Shing and Mr. Kwok Ying Chi who are our executive Directors, we have a team of managerial staff independent of our Controlling Shareholders. In addition to the directorship in our Company, Mr. Kwok Ying Shing and Mr. Kwok Ying Chi also hold directorships in other companies which are either investment holding companies or are dormant. As these private companies do not have any business operations, the directorships of Mr. Kwok Ying Shing and Mr. Kwok Ying Chi in these companies will not affect their discharge of director duties as the executive Directors of our Company. Furthermore, Mr. Liu Qiang does not act as a director of any company other than our Company and our subsidiaries. Mr. Liu Qiang is currently a consultant of our Group who is responsible for providing consultancy services to and advising our Group on its investment business.
- (ii) All of our existing contractual relationships with third parties operate independently from our Controlling Shareholders and except for the lease arrangement between our Group and our Controlling Shareholders (the “Lease Arrangements”), details of which are set out in the paragraph headed “Exempt Continuing Connected Transactions” of this section, there will be no connected transactions. The Lease Arrangements, which relate to the leasing of office space only, are not material to our operations and do not constitute operational reliance on the Controlling Shareholders.
- (iii) Except for the Leasing Arrangements, there has been no arrangement regarding sharing of facilities or resources between the Group and our Controlling Shareholders during the Track Record Period and up to the Latest Practicable Date.
- (iv) We are financially independent of our Controlling Shareholders and their associates. The loans and guarantees from and the amounts due from our Controlling Shareholders and their associates (details of which are set out in the section headed “Connected transactions — Related parties transactions” of this document) have been fully settled as at the Latest Practicable Date and there will not be any outstanding balances due to or from the Controlling Shareholders, or any personal guarantee provided by our Controlling Shareholders for the indebtedness of our Group.
- (v) The sales and marketing team of our Group operates independently of our Controlling Shareholders and their associates and does not rely on our Controlling Shareholders and their associates to solicit any sales from our customers.
- (vi) The procurement team of our Group operates independently of our Controlling Shareholders and their associates and does not rely on our Controlling Shareholders and their associates to purchase materials from our suppliers through our contractors.
- (vii) Our Group has established its own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments, and independent access to third-party financing.

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Our Directors are satisfied that we are capable of carrying on our business independently from any of our Controlling Shareholders (including their respective associates) after our Company is listed on the Stock Exchange.

We have implemented the following internal control procedures to facilitate the effective operation of our business:

1. We have a system of delegation of authority, and we have defined an authorization hierarchy by dollar amount and nature of event. The authorization hierarchy is a guideline which sets out the authorities and responsibilities of our management members in respect of our daily operations. The guideline also sets out the mandate and the financial limits to which they are subject to in our daily operation.
2. We have a system of segregation of duties for major operations. Please refer to the section headed “Directors, Senior Management and Employees” of this document for the duties and key responsibilities of our senior management members.
3. We have designed an informatization plan which was implemented in 2008, according to which the EAS accounting system and human resources system was implemented in mid-2008. Relevant manual controls will then be replaced by systematic controls.

NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders and each of our Directors has no interest in any business which competes or is likely to compete, either directly or indirectly, with our business. Our Controlling Shareholders and our Directors have signed a Non-competition Undertaking with our Company, the material terms of which are summarized as follows:

- (a) Each Controlling Shareholder and Director will not directly or indirectly be involved in or undertake any business that directly or indirectly competes with our Group’s business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with our Group’s business.
- (b) The independent non-executive Directors would review the compliance with the terms contained in the Non-competition Undertaking on an annual basis.
- (c) Each Controlling Shareholder and Director would provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-competition Undertaking, including but not limited to, confirmations stating their equity interest and directorship in other businesses, copy of audited accounts of companies in which he/she is interested.

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- (d) Each Controlling Shareholder and Director would make an annual declaration on compliance with the Non-competition Undertaking in the annual report of our Company.

Disclosure on how the Non-competition Undertaking has been complied with and enforced would be consistent with the principles of making voluntary disclosures in the corporate governance report under appendix 23 of the Listing Rules.

CONNECTED TRANSACTIONS

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Tenancy Agreements

(a) *Tenancy agreement between Shenzhen Kaisa Technology and Mr. Kwok Chun Wai*

Shenzhen Kaisa Property entered into a tenancy agreement with Mr. Kwok Chun Wai (the “First Tenancy Agreement”) pursuant to which Mr. Kwok Chun Wai agreed to lease to Shenzhen Kaisa Property the office premises situated at Rooms 3305–3306, Kerry Centre, Renmin South Road, Luohu District, Shenzhen, Guangdong province, the PRC for a term of two years commencing on June 1, 2009 and expiring on May 31, 2011 at a monthly rental of RMB54,626.4 per calendar month. Savills Valuation and Professional Services Limited, our independent property valuer, has confirmed that the rental payable under the First Tenancy Agreement is comparable to the then prevailing market rate.

Mr. Kwok Chun Wai is our controlling Shareholder and is a brother of Mr. Kwok Ying Shing and Mr. Kwok Ying Chi, our executive Directors. Hence, Mr. Kwok Chun Wai is a connected person of our Company.

(b) *Tenancy agreement between Shenzhen Woodland Height and Mr. Kwok Ying Shing*

Shenzhen Kaisa Property entered into a tenancy agreement with Mr. Kwok Ying Shing (the “Second Tenancy Agreement”) pursuant to which Mr. Kwok Ying Shing agreed to lease to Shenzhen Kaisa Property the office premises situated at Rooms 3307 and 3308, Kerry Centre, Renmin South Road, Luohu District, Shenzhen, Guangdong province, the PRC for a term of two years commencing on September 1, 2009 and expiring on August 31, 2011 at a monthly rental of RMB54,859 per calendar month. Savills Valuation and Professional Services Limited, our independent property valuer, has confirmed that the rental payable under the Second Tenancy Agreement is comparable to the then prevailing market rate.

Mr. Kwok Ying Shing is a Director and hence a connected person of our Company.

The leased properties under the First Tenancy Agreement and the Second Tenancy Agreement have a total GFA of approximately 912.38 sq.m.

(c) *Tenancy agreements between Guangzhou Jinmao Property and Prime Yield*

Guangzhou Jinmao Property entered into a tenancy agreement with Prime Yield (the “Third Tenancy Agreement”) pursuant to which Prime Yield agreed to lease to Guangzhou Jinmao Property the office premises situated at Room 3710, Metro Plaza, Tianhe Bei Road, Tianhe District Guangzhou, Guangdong province, the PRC for a term of two years commencing on March 15, 2009 and expiring on March 15, 2011. The aggregate monthly rental under the Third Tenancy Agreement is RMB5,000 per calendar month. Savills Valuation and Professional Services Limited, our independent property valuer, has confirmed that the rental payable under the Third Tenancy Agreement is comparable to the then prevailing market rate.

CONNECTED TRANSACTIONS

(d) *Tenancy agreement between Guangdong Kaisa Property Management and Prime Yield*

Guangzhou Jinmao Property Management entered into a tenancy agreement with Prime Yield (the “Fourth Tenancy Agreement”) pursuant to which Prime Yield agreed to lease to Guangzhou Jinmao Property Management the office premises situated at Room 3716, Metro Plaza, Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong province, the PRC for a term of two years commencing on May 18, 2009 and expiring on May 17, 2011. The aggregate monthly rental under the Fourth Tenancy Agreement is RMB5,000 per calendar month. Savills Valuation and Professional Services Limited, our independent property valuer, has confirmed that the rental payable under the Fourth Tenancy Agreement is comparable to the then prevailing market rate.

(e) *Tenancy agreement between Shenzhen Zhaoruijing and Prime Yield*

Shenzhen Zhaoruijing entered into a tenancy agreement with Prime Yield (the “Fifth Tenancy Agreement”) pursuant to which Prime Yield agreed to lease to Guangzhou Zhaoruijing the office premises situated at Room 3715, Metro Plaza, Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong province, the PRC for a term of three years commencing on August 27, 2007 and expiring on August 26, 2010. The aggregate monthly rental under the Fifth Tenancy Agreement is RMB5,000 per calendar month. Savills Valuation and Professional Services Limited, our independent property valuer, has confirmed that the rental payable under the Fifth Tenancy Agreement is comparable to the then prevailing market rate.

The leased properties under the Third Tenancy Agreement, the Fourth Tenancy Agreement and the Fifth Agreement have a total GFA of approximately 220 sq.m. (2,370 sq.ft.).

Prime Yield is owned as to 99% by Year Up and as to 1% by Mr. Kwok Chun Wai. Year Up is wholly owned by Mr. Kwok Chun Wai. Prime Yield is therefore an associate of Mr. Kwok Chun Wai and hence a connected person of our Company.

Contractual arrangements relating to cooperative development of Huizhou Kaisa Tangquan

As set out in the section headed “Business — Contractual Arrangements” in this document, pursuant to the “Agreement on the joint development of Guangdong Tangquan Forest” entered into between Huizhou State-owned Tangquan Linchang (“Tangquan Linchang”) and us on July 6, 2007 (the “Tangquan Agreement”), Tangquan Linchang will grant the land use rights for a State-owned forest land covering an area of approximately 10,000,005 sq.m. located in Huizhou, Guangdong province, to the Project Company jointly established by Tangquan Linchang and us. We are responsible for providing the development funds required for each phase of the project. We have agreed to pay Tangchuan Linchang a resource utilization fee of RMB2 million annually (the “Resource Utilization Fee”) which was arrived at after negotiation by the parties on arm’s length basis. The parties have also agreed to the allocation of post-tax profits of the project company. The Tangquan Agreement was approved by the Huizhou Forestry Bureau on July 17, 2007. Huizhou Kaisa Tangquan is our non-wholly subsidiary which is held as to 80% by Huizhou Kaisa Property and as to 20% by Tangquan Linchang. Tangquan Linchang is a substantial shareholder of Huizhou Kaisa Tangquan and hence a connected person of our Group.

CONNECTED TRANSACTIONS

RELATED PARTIES TRANSACTIONS

Loan transactions between our Group and the related parties

During the Track Record Period, the following loan transactions took place between our Group and certain related parties, detail of which are set out as follows:

Name and relationship with the related parties

<u>Name of the related parties</u>	<u>Relationship with our Group and/or the Controlling Shareholders</u>
Mr. Kwok Ying Shing	Controlling Shareholder
Mr. Kwok Ying Chi	Controlling Shareholder
Mr. Kwok Chun Wai	Controlling Shareholder
Mr. Kwok Ying Guang	cousin of the Kwok Family
Mr. Kwok Ying Long	cousin of the Kwok Family
Mr. Mai Wei Liang	our employee
Mr. Zhan Qiongmeng	brother-in-law of Mr. Kwok Ying Chi
Mr. Chen Geng Xian	an executive Director and vice president
Mr. Kwok Ying Xing	cousin of the Kwok Family
Mr. Kwok Yuan Tang	father of the Kwok Family
Ms. Chim Sau Chun	spouse of Mr. Kwok Ying Chi
Mr. Luo Han Dun	brother-in-law of Mr. Kwok Chun Wai
Prime Yield Holdings Limited (泰怡集團有限公司).	100% beneficially owned by Mr. Kwok Chun Wai
Chibase (Asia) Investment Limited (an investment holding company).	as to 34% held by Speed Prosper, as to 33% held by Clever Cosmos and as to 33% held by Year Up
Friendship (China) (an investment holding company).	as to 34% held by Speed Prosper, as to 33% held by Clever Cosmos and as to 33% held by Year Up
Year Up (an investment holding company).	100% beneficially held by Mr. Kwok Chun Wai
Shenzhen Qiyu Guarantee Company Limited (深圳市琪裕擔保有限公司) (a company engaged in the business of, among other things, the provision of guarantee).	as to 50% held by Mr. Guo Tianlu (an independent third party) and as to 50% held by Mr. Lai Damu (an independent third party)
深圳市兆興實業有限公司 (Shenzhen Zhaoxing Shiye Co., Ltd.) (a company which does not have any business).	previously as to 40% held by Mr. Guo Tianlu (an independent third party), and 60% held by Mr. Lai Damu (an independent third party)

CONNECTED TRANSACTIONS

Amount due from the related parties

Our Group provided certain loan facilities to the related parties for their personal use during the Track Record Period, details of which are set out as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties				
— included in other receivables:				
Close family members of				
Controlling Shareholders				
Mr. Kwok Ying Guang	24,701	—	—	—
Mr. Kwok Ying Long	41,315	—	—	—
Mr. Mai Wei Liang	81,355	—	—	—
Mr. Zhan Qiongmings	63,794	—	—	—
Others	47,357	—	—	—
Sub-total	258,522	—	—	—
Controlled by Controlling				
Shareholders:				
Prime Yield Holdings Limited				
(泰怡集團有限公司)	13,683	—	—	—
Chibase (Asia) Investment Limited				
and Friendship (China)				
Investment Limited	1,217	—	—	—
Year Up Investment Limited	66,986	—	—	—
Shenzhen Zhaoxinbao Industrial				
Limited (深圳市兆興寶實業有				
限公司)	57,643	—	—	—
	139,529	—	—	—
	398,051	—	—	—

CONNECTED TRANSACTIONS

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Maximum amount due from related parties — included in other receivables during the year:				
Close family members of Controlling Shareholders				
Mr. Kwok Ying Guang	24,701	24,701	—	—
Mr. Kwok Ying Long	58,587	41,315	—	—
Mr. Mai Wei Liang	81,355	81,355	—	—
Mr. Zhan Qiongmeng	63,794	63,794	—	—
Others	47,357	47,357	—	—
Sub-total	<u>275,794</u>	<u>258,522</u>	<u>—</u>	<u>—</u>
Controlled by Controlling Shareholders:				
Prime Yield Holdings Limited (泰怡集團有限公司)	13,683	13,683	—	—
Chibase (Asia) Investment Limited and Friendship (China) Investment Limited	12,720	1,217	—	—
Year Up Investment Limited	66,986	66,986	—	—
Shenzhen Zhaoxinbao Industrial Limited (深圳市兆興寶實業有限公司) .	57,643	57,643	—	—
	<u>151,032</u>	<u>139,529</u>	<u>—</u>	<u>—</u>
	<u>426,826</u>	<u>398,051</u>	<u>—</u>	<u>—</u>

The loans provided to the related parties were unsecured, interest-free and repayable on demand. The amount due from these related parties had been settled in full in 2007.

CONNECTED TRANSACTIONS

Amount due to the related parties

Our Group borrowed certain loan facilities from the related parties for the purpose of funding the then general working requirements of the Group during the Track Record Period, details of which are set out as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties				
— included in other payables:				
Controlling Shareholders				
Mr. Kwok Chun Wai	44,355	—	—	—
Mr. Kwok Ying Chi	10,780	—	—	—
Mr. Kwok Ying Shing	4,987	—	—	—
	<u>60,122</u>	<u>—</u>	<u>—</u>	<u>—</u>
Close family members of				
Controlling Shareholders				
Mr. Kwok Yang Xing	4,856	—	—	—
Mr. Kwok Yuan Tang	9,360	—	—	—
Ms. Zhan Hai Zhen	7,280	—	—	—
Mr. Luo Han Dun	8,167	—	—	—
Others	11,125	—	—	—
	<u>40,788</u>	<u>—</u>	<u>—</u>	<u>—</u>
Controlled by close family				
members of controlling				
shareholders:				
Shenzhen Qiyu Guarantee				
Company Limited				
(深圳市琪裕擔保有限公司) . . .	724,722	3,010	1,836	336
	<u>825,632</u>	<u>3,010</u>	<u>1,836</u>	<u>336</u>

The loans provided by the related parties were unsecured, interest-free and repayable on demand. The amounts due to these related parties have been settled in full.

As advised by our PRC legal advisers, the loan arrangements between the Group and the related parties who are individuals are legal, valid and enforceable under PRC laws and regulations. The loan arrangements between the Group and the related parties which are limited liability companies established in the PRC are not enforceable under the General Principles of Loans promulgated by the PBOC. As no interest was payable under the loan arrangements, our PRC legal advisers are of the view that the Group will not be subject to any administrative penalty.

CONNECTED TRANSACTIONS

Provision of guarantees by the related parties in favor of the our Group

Our Controlling Shareholders and the close family members of our Controlling Shareholders provided certain guarantees to secure our bank loans during the Track Record Period. Further details of the guarantees are set out in note 19 in the Accountants’ Report in Appendix I to this document. As of the Latest Practicable Date, our Group did not pay for or provide any benefit to these guarantors to induce them to provide the guarantees.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board of Directors consists of nine Directors, three of whom are independent non-executive Directors. Our Board of Directors has the general powers and duties for the management and conduct of our business. We have entered into service contracts with each of our Directors.

The table below sets forth certain information regarding our Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
KWOK Ying Shing . . .	45	Chairman and Executive Director
KWOK Ying Chi.	42	Vice Chairman and Executive Director
SUN Yuenan	46	Vice Chairman and Executive Director
YE Jiansheng	34	Executive Director and President
CHEN Gengxian	38	Executive Director and Vice President
JIN Jane.	46	Executive Director
ZHANG Yizhao	39	Independent Non-Executive Director
RAO Yong.	51	Independent Non-Executive Director
FOK Hei Yu.	39	Independent Non-Executive Director

Chairman and Executive Director

KWOK Ying Shing (郭英成), Mr. Kwok, aged 45, is our Chairman and was appointed a Director on August 8, 2007 and re-designated as executive Director on November 17, 2009. He is one of the founders of our Group and has been the Chairman and a Director of our Group since its inception in 1999. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of our Group. Mr. Kwok has extensive experience in real estate development and investment management. In 1999, Mr. Kwok formulated our vision of developing large-scale residential properties in suburban areas with access to public transport and other urban facilities in select cities in China. Since then, he has led us in the development and completion of various projects, including Woodland Height, Mocha Town and Lake View Place. In 2003, through Mr. Kwok’s direction, we adopted a new development model of acquiring and renovating distressed and uncompleted properties. With this additional development model, we renovated and brought to market Kaisa Center, once a distressed and partially completed property in Shenzhen. Mr. Kwok is currently a guest professor of the School of Architectural and Urban Planning, Shenzhen University (深圳大學). He is the brother of Mr. Kwok Ying Chi and Mr. Kwok Chun Wai.

Executive Directors

KWOK Ying Chi (郭英智), Mr. Kwok, aged 42, is our Vice Chairman and was appointed a Director on August 8, 2007 and re-designated as executive Director on November 17, 2009. He has been a Vice Chairman and a Director of our Group since its inception in 1999. Mr. Kwok is primarily responsible for overall project planning. Since 1999, Mr. Kwok has been in charge of project planning and management for our property developments. Mr. Kwok has led the implementation of our business expansion strategy, through which we established our presence in nine cities in China. He is the brother of Mr. Kwok Ying Shing and Mr. Kwok Chun Wai.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SUN Yuenan (孫越南), Mr. Sun, aged 46, is our Vice Chairman and was appointed as an executive Director on November 17, 2009. He was appointed as our Vice Chairman in September 2009 and our executive Director in November 2009. Mr. Sun is primarily responsible for investment management and commercial real estate management. Mr. Sun joined us in July 2001 as chief administrative director of Shenzhen Kaisa Property and has held various positions within our Group, including senior vice president of our Group, deputy general manager of Shenzhen Kaisa Property and general manager of Guangzhou Jinmao Property. Mr. Sun has extensive regulatory and business administration experience in the real estate industry. From 1993 to 2001, Mr. Sun served in various positions, including deputy chief of administrative office, deputy chief of legal division and deputy chief of personnel division, in Hengyang Municipal Bureau of Land Resources, which oversaw land resources in the city of Hengyang, Hunan Province. Mr. Sun received a bachelor’s degree in law from the Correspondence Institute of the Academy of the Central Committee of the Communist Party of China in December 2001.

YE Jiansheng (葉劍生), Mr. Ye, aged 34, is our executive Director and our president. He was appointed as our executive Director on November 17, 2009 and our president in September 2009. Mr. Ye is primarily responsible for the overall management of our daily operations. Mr. Ye joined us in October 2006 as deputy director of finance of Shenzhen Kaisa Property and served as vice president from October 2007 to September 2009. Prior to joining us, Mr. Ye was deputy general manager of finance in Shenzhen Feishang Business Development Co., Ltd. (深圳市飛尚實業發展有限公司), an investment holding company engaged in long-term investment in metal and transportation industries. From 2004 to 2005, he was director of finance in Tianjin Hopson Zhujiang Real Estate Development Co., Ltd. (天津合生珠江房地產開發有限公司), a regional company of Hopson Development Holdings Limited, which is listed on the Stock Exchange (HK Stock Code: 0754). Mr. Ye also worked in Guangdong Development Bank, Shenzhen branch (廣東發展銀行股份有限公司深圳分行) for more than seven years. Mr. Ye graduated with a bachelor’s degree in international trade from Sun Yat-Sen University in Guangzhou in 1996 and later received a master’s degree in finance from Southwestern University of Finance and Economics, China in 2002 and an MBA degree from Hong Kong University of Science and Technology in 2004.

CHEN Gengxian (陳耿賢), Mr. Chen, aged 38, is our executive Director and vice president. He was appointed as an executive Director of our Group on November 17, 2009, and has been our vice president since January 2009. Mr. Chen is primarily responsible for cost control, procurement and engineering. Mr. Chen has more than 10 years of real estate industry experience. He joined us in June 1999 and has held various positions within our Group, including deputy general manager, executive director and chairman of Shenzhen Kaisa Property. Mr. Chen completed the part-time program of administrative management in Northeastern Normal University, China in February 2007.

JIN Jane (金潔, previously known as 金亞紅), Ms. Jin, aged 46, is our executive Director. She was appointed as our executive Director on November 17, 2009. Ms. Jin holds the professional designation of Canadian Investment Manager. Ms. Jin has 18 years of extensive experience in the financial industry including banking, finance and securities. Ms. Jin retired as director of investment banking at Credit Suisse (Hong Kong) Limited in February 2009. Previously, she held various positions in Credit Suisse (Hong Kong) Limited, Deutsche Bank, Tai Fook Securities Group, Canadian Imperial Bank of Commerce and Royal Bank of Canada. She also worked in the Foreign Investment Department at MOFCOM for four years. Ms. Jin graduated with a bachelor’s degree in economics from University of International Business and Economics, China in 1984.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-Executive Directors

ZHANG Yizhao (張儀昭), Mr. Zhang, aged 39, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on November 17, 2009. Mr. Zhang is currently the chief financial officer of Universal Travel Group (NYSE: UTA) and an independent non-executive director of China Green Agriculture Inc. (NYSE Amex: CGA), China Education Alliance, Inc. (NYSE Amex: CEU) and China Carbon Graphite Group (OTC BB: CHGI) respectively. Mr. Zhang has over 13 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang held senior positions in Energroups Holdings Corporation (OTC BB: ENHD), Shengtai Pharmaceutical Inc. (OTC BB: SGTI), Chinawe Asset Management Corporation (OTC BB: CHWE), China Natural Resources Incorporation (NASDAQ CM: CHNR) and Kasen International Holdings Limited (HK Stock Code: 0496). Mr. Zhang also had experiences in portfolio management and asset trading in Guangdong South Financial Services Corporation from 1993 to 1999. He is a certified public accountant of the state of Delaware, U.S.A., and a member of the American Certified Accountants (AICPA). Mr. Zhang graduated with a bachelor’s degree in economics from Fudan University, Shanghai in 1992 and received an MBA degree with financial analysis and accounting concentrations from the State University of New York at Buffalo, U.S.A. in 2003.

RAO Yong (饒永), Mr. Rao, aged 51, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on November 17, 2009. Mr. Rao is currently a director of Shenzhen Pengcheng Certified Public Accountants Co. Ltd. He is a certified public accountant and a certified public valuer in China. Mr. Rao has over 25 years of experience in accounting and auditing. Mr. Rao was a director of the Audit Bureau of Shenzhen City from 1991 to 1997 and a head of the Audit Bureau of Wuzhou City, Guangxi Province from 1987 to 1990. Mr. Rao has also been a director of The Chinese Institute of Certified Public Accountants since 1996, a director of the Shenzhen Institute of Certified Public Accountants since 1996 and its president since 2005, a forensic accounting expert of Shenzhen City since 2002 and the deputy secretary-general of the Asset Evaluation Association of Shenzhen City since 1997. Mr. Rao received a diploma in accounting from Guangxi College of Finance and Economics, China in July 1980.

FOK Hei Yu (霍義禹), Mr. Fok, aged 39, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on November 17, 2009. Mr. Fok is currently an executive director of Ferrier Hodeson, an international financial and restructuring advisory firm, and has been working in Ferrier Hodeson since 1997. He is a member of the Hong Kong Institute of Certified Public Accountants, the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Directors. Mr. Fok graduated from Australian National University with a bachelor’s degree in commerce in 1995.

SENIOR MANAGEMENT

Our senior management members are Kwok Ying Shing, Kwok Ying Chi, Sun Yuenan, Ye Jiansheng, Chen Gengxian, Han Zhenjie, Wu Xuejun, Zeng Xiaohua, Zhang Ji and Cheung Hung Kwong. Kwok Ying Shing, Kwok Ying Chi, Sun Yuenan, Ye Jiansheng and Chen Gengxian are also our executive directors. See the paragraphs headed “Chairman and Executive Director” and “Executive Directors” above for the description of their experience.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The table below sets forth certain information regarding our senior management members (excluding executive Directors):

<u>Name</u>	<u>Age</u>	<u>Position</u>
HAN Zhenjie	41	vice president
WU Xuejun	39	vice president
ZENG Xiaohua	37	vice president
Zhang Ji.	37	vice president
CHEUNG Hung Kwong	42	chief financial officer and company secretary

HAN Zhenjie (韓振捷), Mr. Han, aged 41, has been vice president of our Group since February 2007. Mr. Han is primarily responsible for our business operations in the Yangtze River Delta region. He rejoined us in January 2007 as deputy general manager of Shenzhen Kaisa Property. Mr. Han has been a PRC registered First Class Architect since 2000. Mr. Han has over 10 years of experience in architecture. From 2005 to 2006, he served as vice president of design in Fantasia Group (China) Co., Ltd. (花樣年集團(中國)有限公司), a property development company. From 2002 to 2005, he served in our Group and held various positions, including chief architect, manager of design department, project manager of the Mocha Town project and director of design. From 2000 to 2002, Mr. Han served as deputy general manager and deputy chief architect in Shenzhen Huaxin Architects Engineers & Consultants International Co., Ltd. (深圳華新國際建築工程設計顧問有限公司). From 1997 to 2000, he served in Citymark Aecom Co., Ltd., Shenzhen, (城脈建築設計(深圳)有限公司) as manager in the construction division responsible for construction drawing and design. Mr. Han graduated with a bachelor’s degree in engineering from Tsinghua University, China in 1991.

WU Xuejun (吳學軍), Mr. Wu, aged 39, was appointed as vice president of our Group in August 2009. He is primarily responsible for our human resource, administration and property management. From September 1998 to July 2009, Mr. Wu served in Shenzhen Telling Telecom Development Co., Ltd. (深圳天音通信發展有限公司), a mobile telecom product distributor, and held various positions, including manager of human resource department, director of human resource department and assistant president. Previously, Mr. Wu served as a human resource officer in Seagate Technology (Shenzhen) Co., Ltd. (希捷科技(深圳)有限責任公司) for two years. Mr. Wu graduated with a bachelor’s degree in mechanical engineering from Central South University of Technology (now known as Central South University), China in 1991.

ZENG Xiaohua (曾曉華), Mr. Zeng, aged 37, was appointed as vice president of our Group in September 2009. He is primarily responsible for our marketing and sales and customer services. Prior to joining us, Mr. Zeng was chairman and general manager of Evergrande Real Estate Group Guiyang Co. Ltd. (恒大地產集團貴陽有限公司) from October 2007 to August 2009. From October 2006 to October 2007, Mr. Zeng served in Coastal Greenland Corporation (沿海綠色家園集團), a subsidiary of Coastal Greenland Limited, which is listed on the Stock Exchange (HK Stock Code: 01124), and held various positions, including manager of marketing and sales, assistant to president and vice president. From May 2004 to October 2006, Mr. Zeng served in Evergrande Real Estate Group Limited (恒大地產集團) and held various positions, including manager of marketing and sales, assistant to president, vice president and chairman of the group’s Kunming regional company. Previously, he worked as chief editor of news in Yangcheng Evening News (羊城晚報) for three years. Mr. Zeng graduated with a bachelor’s degree in mathematics from Hunan Normal University, China in 1994.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

ZHANG Ji (張驥), Mr. Zhang, aged 37, was appointed as vice president of our Group in September 2009. He is primarily responsible for our capital management, internal auditing and compliance. Mr. Zhang joined us in June 2009 as assistant to the president. Prior to joining us, Mr. Zhang was deputy general manager in Horoy Holdings Limited (鴻榮源集團有限公司), a real estate company, from June 2007 to June 2009. He served as director of finance in Shenzhen Feishang Business Development Co., Ltd. (深圳市飛尚實業發展有限公司), an investment holding company engaged in long-term investment in metal and transportation industries, from June 2005 to May 2007. From July 2000 to June 2005, Mr. Zhang was director of finance in Shenzhen Hongkai (Group) Co. Ltd. (深圳市鴻基(集團)有限公司), a real estate company. From January 1998 to June 2000, he worked in an international accounting firm in Shenzhen. Mr. Zhang graduated with a bachelor’s degree in accounting from Xi’an Highway University, China in 1993.

CHEUNG, Hung Kwong (張鴻光), Mr. Cheung, aged 42, was appointed as chief financial officer of our Group in October 2009 and has been company secretary and a joint authorized representative of our Company since November 2009. Mr. Cheung is primarily responsible for our finance and accounting. Mr. Cheung joined us in July 2008 as finance director. He has been a member of the American Institute of Certified Public Accountants (AICPA) since August 1996 and a chartered financial analyst qualified by the CFA Institute in the U.S. since September 2000. Mr. Cheung has over 15 years of experience in auditing, finance, accounting and merger and acquisition activities. From March 2003 to March 2008, Mr. Cheung served in Boto International Holdings Limited (寶途集團國際有限公司), a festival product manufacturing company, and held various positions, including financial controller, chief financial officer and consultant. From 1994 to 2003, he worked for PricewaterhouseCoopers. Mr. Cheung graduated from University of Hong Kong with a bachelor’s degree (with honors) in physics and mathematics in 1990 and obtained a master’s degree (with distinction) in quantum fields and fundamental forces from Imperial College of Science, Technology and Medicine, University of London in 1992.

Save as disclosed above, there is no other information relating to our Directors and our senior management members that needs to be disclosed pursuant to the requirements under Rule 13.51(2) of the Listing Rules.

COMPANY SECRETARY

CHEUNG Hung Kwong (張鴻光). See the paragraph headed “Senior Management” above for the description of Mr. Cheung’s experience.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee on November 17, 2009 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company.

The audit committee comprises Mr. Rao Yong as the chairman, Mr. Zhang Yizhao and Mr. Fok Hei Yu as members.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration Committee

Our Company established a remuneration committee on November 17, 2009. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of the chief executive officer and other executive Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management. During the Track Record Period, our remuneration policy for our Directors and senior management members were based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy, subject to review by and the recommendations of our remuneration committee. Salaries are expected to be raised. For details of our Directors’ remuneration during the Track Record Period, please refer to page [●] of Appendix I to this document. For details of our Directors’ expected remunerations for the year ending December 31, 2008, please refer to page [●] of this document.

The remuneration committee comprises Mr. Kwok Ying Shing as the chairman, Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Fok Hei Yu, as members.

Nomination Committee

Our Company established a nomination committee on November 17, 2008 to make recommendations to our Board regarding candidates to fill vacancies on our Board.

The nomination committee comprises Mr. Kwok Ying Shing as the chairman, Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Fok Hei Yu, as members.

Management Committees

Our Company has established a number of management committees, including but not limited to an investment management committee, a budget committee and a risk management committee to assist our senior management in overseeing our business operations in Hong Kong and the PRC.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

As of September 30, 2009, we had approximately 2,543 full-time employees. Set out below is a breakdown of the number of our full-time employees by function as of the same date:

<u>Division</u>	<u>Number of Employees</u>
Management	9
Cost management	56
Risk management	9
Design management	99
Procurement	39
Engineering	119
Finance	69
Land investment and project development	54
Sales and customer service	111
Property management	1,221
Human resources	29
Commercial rental management	48
Administration	80
Hotel operation	600
Total	<u>2,543</u>

We recruit our personnel from the open market. We provide technical as well as operational training to all new employees and on-going training for all employees.

On June 29, 2007, the NPC promulgated the Labor Contracts Law of the People’s Republic of China (中華人民共和國勞動合同法) (the “Labor Contract Law”), effective January 1, 2008. Certain major new provisions under the Labor Contract Law, as compared with the Labor Law of the People’s Republic of China (中華人民共和國勞動法) promulgated on July 5, 1994, are summarized below.

- (i) The employment relationship is deemed to exist from the day the employee begins working for the employer. After a month but within one year of the commencement of an employment, if an employer does not sign a labor contract with the employee, the employer must pay double the salary for every month the employee has worked without a contract.
- (ii) If requested by an employee, an employer must enter into an open-term contract with the employee if: (a) the employee has been working for the employer for ten years consecutively, or (b) a renewed contract with a fixed term has been executed and the employee and the employer agree to renew the contract once again.
- (iii) The Labor Contract Law precludes the employer from taking a guarantee payment.
- (iv) The employer may not require the employee to pay a penalty except under certain circumstances, including where (a) the employee fails to complete the agreed minimum term of service after he received full-time training free of charge and (b) the employee breached his or her non-competition obligation.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (v) An employee can rescind his or her labor contract with notice at any time if the employer has failed to pay social insurance premiums for the employee as required by law.

According to our PRC legal adviser, employers need not execute new contracts for existing employees whose labor contracts are still in effect at the beginning of 2008. During the Track Record Period, we had not been subject to any circumstances that would have given rise to non-compliance with the provisions described in items (i), (iii), (iv) or (v) above. With respect to the new requirement for open-term labor contracts as described in item (ii) above, we intend to execute and encourage our employees to enter into open-term labor contracts pursuant to the Labor Contract Law. Our human resources division will be responsible for maintaining and updating the list of employees who may request open-term labor contracts and will contact the employee one month before expiration of the relevant labor contract to confirm if such employee intends to enter into an open-term contract with us.

As advised by our PRC legal adviser, under the Labor Contract Law, an employer has the right to rescind a labor contract with notice to the employee if: (a) during the probationary period, the employee did not demonstrate the requisite qualifications for the position; (b) the employee commits a material breach of the employer’s rules and policies; (c) the employee fails to fulfil his or her obligations or acts in his or her self-interest that results in significant loss to the employer; and (d) a long-term illness prevents an employee from fulfilling his duties. We do not expect our obligation to comply with the PRC labor laws and regulations will affect our business operations and financial conditions in any material respect.

As confirmed by our Directors and our PRC legal adviser, during the Track Record Period, we complied with relevant national and local labor and social welfare laws and regulations in all material respects and made the required contributions, including contributing to employee retirement benefit schemes and medical and social security insurance schemes.

The compensation package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee’s qualification, position and seniority. Our determination on salary raise, bonus and promotion is based on evaluation of the performance of our employees through our review system.

In Hong Kong, we participate in a mandatory provident fund scheme established under the Mandatory Provident Fund Schemes Ordinance. Contributions to the mandatory provident fund scheme are made by the employees at 5% of their relevant income.

In the PRC, we participate in mandatory pension plans and social insurance contribution plans. We are required to contribute a portion of our employees’ total wages to the state’s pension plan in accordance with relevant local government regulation. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay for and on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We are also required to pay work-related injury insurance and maternity insurance for and on behalf of our employees.

We provide advances as a staff benefit if requested by our full-time staff members for their purchases of housing and vehicles, subject to our approval procedures. Applications are evaluated on a case-by-case basis with reference to the applicant’s work performance and are vetted through several divisions within our Company. Once the application is approved by our senior vice president and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

president of finance, the application will be submitted to our Board of Directors for final approval. The advances are interest free unless the borrower’s employment terminates during the term of the loan. The advances are payable in monthly installments by deducting the amount due each month from the employee’s monthly salary. If the employee’s employment terminates during the term of the loan, the employee must pay off the total outstanding amount of the loan, plus applicable interest, within one month of the termination of his or her employment. In case of advances for purchases of vehicles, if the employee is unable to repay the outstanding amount of the loan within one month of termination, we may demand that such employee pledge the vehicle to satisfy his or her remaining debt obligations, and that the employee agreed to pay any shortfall. The total amount of loans to our staff for the purchase of housing and vehicles was approximately RMB0.8 million, RMB6.3 million, RMB3.8 million and RMB4.7 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. We intend to continue to offer such advances after [●].

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. As of the Latest Practicable Date, we have not experienced any strikes, work stoppages or labor disputes which affected our operations and our directors consider our relations with our employees to be good.

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 the 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.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following [●], the following entities will exercise, or control the exercise of, 10% or more of the voting power at general meetings of our Company:

Name	Approximate percentage of shareholding
Da Chang (<i>Note</i>)	22.8%
Da Feng (<i>Note</i>)	23.5%
Da Zheng (<i>Note</i>)	22.8%
Chang Yu (<i>Note</i>)	69.1%
Good Health Investments Limited (<i>Note</i>)	69.1%
Seletar Limited (<i>Note</i>)	69.1%
Serangoon Limited (<i>Note</i>)	69.1%
Credit Suisse Trust Limited (<i>Note</i>)	69.1%
Kwok Ying Shing (<i>Note</i>)	69.1%
Kwok Ying Chi (<i>Note</i>)	69.1%
Kwok Chun Wai (<i>Note</i>)	69.1%

Notes: The entire issued share capital of Chang Yu is wholly owned by Good Health Investments Limited, which is owned as to 50% by Seletar Limited and as to 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of the Kwok Family Trust. The Kwok Family Trust is a discretionary trust established under the laws and regulations of Singapore. As at the date of this document, the beneficiaries of the Kwok Family Trust are the Kwok Family, and their immediate family members. Chang Yu is deemed to be interested in the Shares held by Da Chang, Da Feng and Da Zheng pursuant to [●].

Our Company is satisfied that it is capable of carrying on its business independent of its Controlling Shareholders.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following entities will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group other than our Company:

<u>Name of shareholder</u>	<u>Name of the Member of the Group</u>	<u>Capacity</u>	<u>Approximate shareholding percentage</u>
飛達集團有限公司 (Fitter Holdings Limited).	Fenglong Group	Beneficial owner	44%
惠州市國營湯泉林場 (Huizhou State-owned Tangquan Linchang).	Huizhou Kaisa Tangquan	Beneficial owner	20%
東莞市風崗雁田企業發展公司 (Dongguan Fenggang Yantian Enterprise Development Company). . .	Dongguan Yingyan	Beneficial owner	20%

SHARE CAPITAL

As at the Latest Practicable Date, the share capital of our Company was as follows:

HK\$

Authorized share capital:

3,800,000	Shares	380,000

Issued and to be issued, fully paid or credited as fully paid:

10,869.565217	Shares in issue at the date of this document	1,086.9565217
[●]	Warrant Shares to be issued upon exercise of the	[●]
_____	Warrants	_____

Total.

_____ [●]	Shares	_____ [●]

ASSUMPTIONS

This table assumes the [●] becomes unconditional. It takes no account of any Shares that may be issued upon exercise of the [●] and any options which may be granted under the Share Option Scheme and the [●] or any Shares which may be allotted, issued or repurchased or issued by our Company under the general mandates granted to our Directors.

RANKING

The [●] will rank *pari passu* in all respects with all other Shares in issue as mentioned in this document, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this document, save for entitlement under the [●].

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme whereby certain eligible participants (including, without limitation, directors, employees, advisors, consultants, suppliers, customers and agents of our Company or its subsidiaries) may be granted options to subscribe Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Share Option Scheme” in Appendix VII to this document.

[●]

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial information as of and for each of the three years ended December 31, 2006, 2007 and 2008 and as of and for the six months ended June 30, 2009, together with the accompanying notes in the Accountants’ Report in Appendix I to this document. We have prepared our consolidated financial information in accordance with HKFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Accordingly, you should not place undue reliance on any such statements. Our future results could differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth under the section entitled “Risk Factors” in this document.

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.

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- *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.

During the Track Record Period, our revenue was primarily generated from the sales of our developed properties. In addition, to a lesser extent, our revenue also included rental income, income from property management services and project consultancy services.

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, and 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. Our net profit margin, excluding fair value changes on investment properties and financial derivatives and the corresponding deferred tax, for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was approximately 13.5%, 21.0%, 8.1% and 7.0%, respectively.

RECENT DEVELOPMENT

On November 3, 2009, we and an independent third party (the “Potential Purchaser”) entered into a memorandum of understanding (the “MOU”) in relation to a possible disposal (the “Possible Disposal”) of our equity interest in Guangzhou Jiasui, the project company for development of Guangzhou Kaisa Plaza. Guangzhou Kaisa Plaza is currently a commercial project under development which has a total GFA of 117,575 sq.m. and is expected to comprise primarily one high-rise office building with retail space. See the section entitled “Business — Description of Our Property Development Projects — Projects in the City of Guangzhou in the Pearl River Delta region — (13) Guangzhou Kaisa Plaza (廣州佳兆業廣場)” in this document. We believe that the Possible Disposal, if completed, would result in a satisfactory yield on our investment in Guangzhou Kaisa Plaza. Under the MOU, we intend to dispose of and the Potential Purchaser intends to acquire the 100% equity interest held by us in Guangzhou Jiasui upon completion of the development of Guangzhou Kaisa Plaza. Under the MOU, the consideration for the acquisition of our equity interest in Guangzhou Jiasui was proposed to be no less than RMB1,850 million, which will be subject to the further negotiation and final consideration as set forth in the formal equity transfer agreement. The proposed consideration was based on the commercial negotiation taking into account the prevailing market conditions in Guangzhou and the location and market potential of Guangzhou Kaisa Plaza. In addition, the Potential Purchaser intends to assume up to RMB900 million of the development costs (including land costs, construction costs and other related fees and taxes). According to our current development plan and internal management records, the estimated total development costs for Guangzhou Kaisa Plaza are approximately RMB750.0 million, including the development costs of approximately RMB395.3 million incurred as of September 30, 2009 and the estimated additional costs of RMB354.7 million for completion of this project.

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Pursuant to the MOU, the Potential Purchaser shall pay to us the security deposit of not less than RMB100 million upon the execution of a formal equity transfer agreement. Under the MOU, it is also agreed that we will not, within 60 days from the date of the MOU, negotiate with any party other than the Potential Purchaser for the Possible Disposal, and we will be subject to a penalty of no more than RMB1 million if we breach this exclusive negotiation provision. Except for the exclusive negotiation provision, the MOU does not constitute a legally binding commitment in respect of the Possible Disposal. The Possible Disposal will be subject to the execution and completion of the formal equity transfer agreement.

BASIS OF PRESENTATION

Our audited consolidated financial information as of and for the three years ended December 31, 2006, 2007 and 2008 and as of and for the six months ended June 30, 2009 was audited by PricewaterhouseCoopers, Certified Public Accountants.

The Reorganization has been undertaken. We have accounted for the Reorganization on the basis of merger accounting for common control combination. Accordingly, our financial information has been prepared as if the current structure of our Group had been in existence since January 1, 2006, or since the respective dates when the companies now comprising our Group were incorporated/established, whichever is later. For companies acquired from (or disposed to) a third party during the Track Record Period, they are included in (excluded from) the financial information at the date of the respective acquisitions (disposals). All intra-group transactions and balances have been eliminated on consolidation. The results of our subsidiaries under the trust arrangements set out in the section entitled “History, Reorganization and Group Structure — Reorganization — Trust arrangements involving our subsidiaries” in this document have been consolidated into our track record results because these subsidiaries were directly or indirectly controlled by the Kwok Family during the Track Record Period.

Pursuant to HKFRS, our financial information has been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial derivatives, which are carried at fair value throughout the Track Record Period.

Unless the context otherwise requires, references to “2006,” “2007” and “2008” in this document are to our financial years ended December 31, 2006, 2007 and 2008, respectively, and references to “2009” are to our financial year ending December 31, 2009.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been, and we expect will continue to be, affected by a number of key factors and material risks, many of which are beyond our control. Please refer to the section entitled “Risk Factors” to this document. These factors and risks include the following:

Economic conditions, speed of urbanization and demand for residential and commercial properties in China, particularly in the Pearl River Delta region

Our business is heavily dependent on the performance of the real estate market in China, particularly in the Pearl River Delta region. The performance of the PRC real estate industry is subject to continued growth in the economy, rate of urbanization and resultant demand for properties in China. The key factors that we consider to be important to our operations include (1) general economic

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development, (2) growth conditions in the private sector and (3) urban planning. Economic growth attributable to the private business sector has increased the general level of disposable income and the number of middle to upper-middle income households, which are our primary target customers. Developments in the economy and the rate of urbanization have in the past increased the supply of and demand for residential properties and affected pricing trends in the property sector in the cities and regions where we operate in China. We believe that these factors will continue to significantly impact our results of operations. The slowdown of the worldwide economy, including that of China, resulted in the decline in real estate market sentiment, which adversely affected property demand and average selling prices and rental prices in many areas of China since 2008. The negative impact of the recent global economic slowdown on our business is manifold and contributed to the deterioration of our results of operations and financial condition in 2008. For detail, see “— Results of Operations — 2008 compared to 2007” and the section entitled “Business — Impact of the Recent Global Economic Slowdown and Financial Crisis” in this document. Any economic downturn in China generally or, in particular, in the regions where we operate, could adversely affect our business, results of operations and financial condition.

The regulatory environment and measures affecting the real estate industry in China

Our business and results of operations have been, and will continue to be, affected by the regulatory environment in China, PRC governmental policies and measures taken by the PRC Government on property development and related industries. In recent years, the PRC Government has implemented a series of measures with a view to controlling the growth of the economy, including the real estate markets. While the real estate industry is regarded as a pillar industry by the PRC Government, the PRC Government has taken various restrictive measures to discourage speculation in the real estate market and to increase the supply of affordable residential properties. From time to time, the PRC Government adjusts or introduces macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land grants, pre-sales of properties, bank financing and taxation. Measures taken by the PRC Government to control money supply, credit availability and fixed assets also have a direct impact on our business and results of operations. The PRC Government may introduce initiatives which may affect our access to capital and the means in which we may finance our property development. You should refer to Appendix V “Summary of Principal Legal and Regulatory Provisions” to this document for more details on the relevant PRC laws and regulations.

In response to the global financial crisis and in an effort to expand domestic demand, the State Council issued a notice on Adjusting the Capital Ratio of Fixed Asset Investment Projects (國務院關於調整固定資產投資項目資本金比例的通知) on May 25, 2009. Pursuant to the notice, the capital ratio for government subsidized housing projects and ordinary commodity housing projects was reduced from 35% to 20%, and the capital ratio for other property development projects was reduced from 35% to 30%. On October 22, 2008, the PBOC promulgated the Notice on Several Issues Regarding the Expansion of the Extent of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度有關問題的通知). Pursuant to the notice, the minimum down payment for home buyers on their first house purchase was lowered to 20% of the purchase price, with the minimum mortgage loan interest rate lowered to 70% of the relevant PBOC benchmark interest rate. These and other measures have affected the overall economy in China, with differing effects on various sectors.

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Ability to acquire suitable land at suitable prices

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for development. Based on our current development plans, we have sufficient land reserves for property developments for the next three years. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prevented from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is likely to increase competition for development land and to increase land acquisition costs.

Land and construction costs

Our results of operations are affected by key components of our cost of sales, such as land costs and construction costs. In 2006, 2007, 2008 and the six months ended June 30, 2009, our land costs were RMB384.2 million, RMB181.7 million, RMB458.6 million and RMB429.2 million, respectively, and our average land cost as a percentage of our average property sales revenue was approximately 16.2%, 8.7%, 15.6% and 17.8%, respectively. Land premiums have generally been increasing over the past 10 years in China. We believe that land premiums will continue to rise as the PRC economy may continue to develop. Another key component of our cost of sales is construction costs, which are susceptible to the price volatility of construction materials such as steel and cement. We are exposed to the price volatility of construction materials. The price increase in construction materials during the Track Record Period increased our construction costs and had a negative effect on our gross profit margin.

Access to and cost of financing

Bank borrowing is an important source of funding for our property developments. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding borrowings and long-term loan with detachable warrants amounted to RMB2,361.5 million, RMB4,568.5 million, RMB6,497.5 million and RMB6,758.2 million, respectively. The effective interest rates on our bank borrowings included in non-current liabilities for 2006, 2007, 2008 and the six months ended June 30, 2009 were approximately 6.1%, 6.7%, 7.9% and 5.9%, respectively. The effective interest rates on our bank borrowings, included in current liabilities for 2006, 2007, 2008 and the six months ended June 30, 2009 were approximately 5.8%, 6.2%, 7.4% and 5.7%, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. Our ability and flexibility to use bank loans to finance our property projects are also affected by the measures taken by the PRC Government from time to time to restrain money supply and credit availability for fixed asset investments, particularly with respect to the property development sector. In August 2007, we borrowed a long-term loan with detachable warrants, which bears an effective interest rate of approximately 13.5%. See “—Indebtedness — Long term loan with detachable warrants.”

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Pre-sale and progress of property development

Pre-sales constitute the most important source of our operating cash inflow during our project development. PRC law allows us to pre-sell properties before their completion upon obtaining the pre-sale permit from the relevant governmental authorities and requires us to use the pre-sale proceeds to develop the relevant pre-sale property projects. However, we do not recognize revenue from the pre-sale of a property until the property has been delivered to the purchaser. The progress of property development may affect our ability to deliver properties to our customers within the specified time limit and in turn affect the amount and timing of cash inflows from pre-sales. In addition, reduced cash inflow from pre-sales of our properties will increase our reliance on external financing and will impact our ability to finance our continuing property developments.

LAT

We are subject to LAT with respect to the appreciated value of land. LAT applies to both domestic and foreign developers and investors in real properties in China, irrespective of whether they are corporate entities or individuals. For 2006, 2007, 2008 and the six months ended June 30, 2009, we made LAT prepayments of RMB12.0 million, RMB8.0 million, RMB46.4 million and RMB43.1 million, respectively and LAT provisions of RMB15.0 million, RMB119.0 million, RMB12.0 million and RMB60.3 million, respectively. We prepay LAT on the basis of our pre-sale proceeds in accordance with requirements of PRC tax authorities and provide for unpaid LAT liabilities based on our best estimate according to our understanding of prevailing tax rules. Actual LAT liabilities are, however, subject to determination by the tax authorities upon completion of the property development projects and, because the PRC government has not published clear and comprehensive guidelines in this regard, the tax authorities may disagree that our provisions are sufficient to cover all actual LAT obligations as of each balance sheet date in respect of our past LAT liabilities. We have provided more details on the PRC regulations on LAT in Appendix V “Summary of Principal Legal and Regulatory Provisions” to this document.

Fair Value of Investment Properties

We hold investment properties for rental income or capital appreciation. We consider the estimated long-term growth potential, overall market conditions and our cash flows and financial conditions when we decide whether to sell or hold our completed properties for long-term investment purposes. Going forward, we intend to continue to consider the above factors in deciding whether to sell or lease our completed properties and we expect to increase our investment property portfolio over time. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our consolidated statements of comprehensive income, which may have a substantial effect on our profits. Total GFA we held for rental income was approximately 24,474 sq.m. as of December 31, 2006 and 2007, 69,432 sq.m. as of December 31, 2008 and 73,145 sq.m. as of June 30, 2009. Our investment properties were revalued by an independent property valuer as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, on an open market for existing use basis which reflected market conditions at those dates. The fair value of our investment properties may have been higher or lower had the valuer used a different set of bases or assumptions, or had the valuation been conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not

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generate any cash inflow for our operations or potential dividend distribution to our Shareholders. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. If similar levels of fair value gains cannot be sustained in the future, our results of operations can be adversely impacted. See the section entitled “Summary — Profit Forecast For the Year Ending December 31, 2009 — Sensitivity Analysis” and the section entitled “Risk Factors — Risks Relating To Our 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” in this document.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying our accounting policies. Therefore, the financial information included in this document may not necessarily reflect our results of operations, financial position and cash flows in the future or what they would have been had we been a separate, stand-alone entity during the periods presented.

Critical accounting policies are those accounting policies that are reflective of significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions.

When reviewing our consolidated financial information, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial information. In addition, we discuss our revenue recognition policy below because of its significance, even though it does not involve significant estimates or judgments.

Revenue recognition

Revenue is shown after eliminating sales with the companies comprising our Group. Revenue is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities as described below:

Sales of properties

Revenue from sales of a property is recognized when the risks and rewards of the property are transferred to the purchaser, which occurs when the construction of relevant property has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as advanced proceeds received from customers under current liabilities.

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Rental income

Rental income from properties under operating leases is recognized on a straight-line basis over the lease terms.

Project consultancy services

Project consultancy services income is recognized in the accounting period in which the service is rendered.

Property management services

Commission arising from property management services is recognized in the accounting period in which the service is rendered.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, we reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Fair value of investment properties

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Changes in fair values of investment property are recognized in the income statement in the year in which such changes arise. The fair values of investment properties as of December 31, 2006, 2007 and 2008 and June 30, 2009, were determined by independent property valuers, on an open market for existing use basis. In making the judgment, consideration was given to assumptions that are mainly based on market conditions existing as of December 31, 2006, 2007 and 2008 and June 30, 2009, expected rental from future leases in the light of current market conditions and appropriate capitalization rates. These estimates are regularly compared to actual market data and actual transactions entered into by us. Changes in subjective input assumptions can materially affect the fair value estimate.

Properties under development

For accounting purposes, properties under development include properties for which we have obtained the relevant land use rights certificates. Properties under development are stated at the lower of cost and net realizable value. Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights, borrowing costs on qualifying assets and professional fees incurred during the development period. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs of completion, or by management estimates based on prevailing market conditions. The assessment of carrying amount of properties under development requires the use of our judgement and estimates. We will make provision to revise these estimates when events or changes in circumstances indicate that the carrying amounts may not be realized.

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Completed properties held for sale

Completed properties remaining unsold at the end of each of the Track Record Period are stated as inventory (or current assets held for sale) at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions. The assessment of carrying amount of completed properties for sale requires the use of our judgment and estimates. We will make provision to revise these estimates when events or changes in circumstances indicate that the carrying amounts may not be realized.

Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

Borrowing costs are charged to the income statement in the accounting period in which they are incurred, except for costs related to funding of the construction and acquisition of properties under development which are capitalized as part of the cost of that asset during the construction period and up to the date of completion of construction.

Long-term loan with detachable warrants

Long-term loan with detachable warrants that contain liability, warrants and options are classified as loan liabilities, equity investments and derivatives on initial recognition and are remeasured to fair value through profit or loss at subsequent reporting dates. We engaged an independent appraiser to assist us in determining the fair value of these financial derivatives. This consideration of value was based on 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.

Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period when such determination is made.

We are subject to enterprise income tax in China. Before and up to December 31, 2007, the companies established in the Shenzhen Special Economic Zone were subject to PRC enterprise income tax at a rate of 15% while other companies established outside the Shenzhen Special Economic Zone were subject to PRC enterprise income tax at a rate of 33%, unless such companies were located in the regions with different tax regimes. In March 2007, the NPC approved the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which took effect on January 1, 2008. The new enterprise

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income tax law unifies the enterprise income tax rate for domestic enterprises and foreign investment enterprises to 25% unless the enterprise qualifies under certain limited exceptions. Effective January 1, 2008, the companies in the Shenzhen Special Economic Zone have been allowed an extension period of five years to phase into the new tax regime. The applicable enterprise income tax rate applicable to our subsidiaries which were registered and established prior to March 16, 2007 in the Shenzhen Special Economic Zone was 18% in 2008 and will be 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. For companies currently subject to a tax rate of 33%, the enterprise income tax rate has been decreased to 25% from January 1, 2008. Since the deferred income tax assets and liabilities will be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and liabilities of our subsidiaries located in China. We will continue to evaluate the impact of the new enterprise income tax law on our results of operations and financial condition as detailed measures and regulations are issued.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future.

LAT

Our property developments are subject to LAT. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statements of comprehensive incomes as cost of sales. We make LAT provisions based on our calculation in accordance with relevant government regulations. The tax bureaus in general have not strictly enforced the LAT regulations, and many localities have not published settlement rules. Accordingly, significant judgment is required in determining the amount of LAT. We recognize LAT based on our management’s best estimates according to our understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalized with local tax authorities. See “— Key Factors Affecting Our Results of Operations — LAT” and the section entitled “Risk Factors — Risks Relating to Our Businesses — Our LAT provisions and prepayment may not be sufficient to meet our LAT obligations” in this document.

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CERTAIN INCOME STATEMENT ITEMS

Revenue

Revenue primarily comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of business. We recognize our revenue from sales of properties after the properties have been sold and delivered to the purchasers. We pre-sell our properties under development in accordance with PRC pre-sale regulations. We do not, however, recognize the proceeds from pre-sales until we have completed the construction of these properties and delivered the properties to the purchasers. Typically there is a time gap ranging from six to 12 months between the time we commence pre-sale of the properties under development and the delivery of the properties. We record the proceeds received from the pre-sold properties as advance proceeds received from customers, an item of current liabilities on our balance sheet, and as a part of cash inflows from operating activities on our cash flow statements.

In 2006, we delivered residential GFA of approximately 344,616 sq.m., which constituted approximately 99.7% of our total delivered GFA, and commercial GFA of approximately 1,005 sq.m., which constituted approximately 0.3% of our total delivered GFA. In 2007, we delivered residential GFA of approximately 243,278 sq.m., which constituted approximately 95.2% of our total delivered GFA, and commercial GFA of approximately 12,197 sq.m., which constituted approximately 4.8% of our total delivered GFA. In 2008, we delivered residential GFA of approximately 213,114 sq.m., which constituted approximately 70.3% of our total delivered GFA, and commercial GFA of approximately 90,103 sq.m., which constituted approximately 29.7% of our total delivered GFA. In the six months ended June 30, 2009, we delivered residential GFA of approximately 267,195 sq.m., which constituted approximately 96.7% of our total delivered GFA, and commercial GFA of approximately 9,247 sq.m., which constituted approximately 3.3% of our total delivered GFA.

We generate a small portion of revenue from the rental income derived from our investment properties and property management services.

In 2007 and 2008, our revenue also included income derived from our project consultancy services provided for the development of Riverside Hill Town.

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Cost of sales

Cost of sales comprises primarily land acquisition costs, construction costs, capitalized borrowing costs, business taxes and direct cost related to property investment and property management. The table below sets forth breakdowns by these categories of our cost of sales for 2006, 2007 and 2008, respectively, and for the six months ended June 30, 2008 and 2009, respectively.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)
				(unaudited)	
Land costs	384.2	181.7	458.6	274.9	429.2
Construction costs	1,242.0	890.6	1,495.5	547.7	1,105.8
Capitalized borrowing costs . .	91.7	83.9	143.1	27.2	197.2
Business taxes	105.6	106.7	114.4	23.3	123.7
Direct cost related to property investment and property management	2.9	2.6	31.8	8.7	18.2
Total cost of sales	<u>1,826.5</u>	<u>1,265.5</u>	<u>2,243.4</u>	<u>881.8</u>	<u>1,874.1</u>

Land costs. Land costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, deed taxes and government surcharges and demolition and resettlement cost. The land costs are recognized as part of cost of sales upon the completion and delivery of relevant properties to the purchasers. In 2006, 2007 and 2008 and the six months ended June 30, 2009, our average land costs per sq.m. of GFA were approximately RMB1,112, RMB711, RMB1,512 and RMB1,553, respectively, as measured by dividing the aggregate land costs recognized in our consolidated statements of comprehensive income by the aggregate saleable GFA of properties delivered within these periods. Our average land cost per sq.m. decreased from 2006 to 2007 primarily because we completed and delivered most of the units with a GFA of approximately 61,211 sq.m. in Shenzhen Kaisa Center in 2006, which had relatively high land costs due to its location in Shenzhen’s CBD. While we delivered the rest of the units in Shenzhen Kaisa Center with a GFA of approximately 406 sq.m. in 2007, the average land costs for our other delivered properties with a GFA of 255,095 sq.m. in 2007 were lower than the average costs for delivered properties in Shenzhen Kaisa Center. Our average land costs per sq.m. increased from 2007 to 2008 primarily due to the completion and delivery of office space in Guangzhou Jinmao, which had relatively higher average land cost due to the project’s prime location within Guangzhou’s CBD. The further increase in our average land costs in the six months ended June 30, 2009 was primarily due to the completion and delivery of Xiangrui Garden, which had relatively higher average land cost than the residential properties we delivered in 2008 due to the location of this project in the popular Nanshan District in Shenzhen. Our average land cost per sq.m. in the six months ended June 30, 2008 was approximately RMB3,073 and primarily reflected the land costs of the delivered commercial GFA in Guangzhou Jinmao, which contributed most of our revenue for the six months ended June 30, 2008.

Construction costs. Construction costs represent costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. Our construction costs

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are affected by a number of factors such as price movements for construction materials, location and types of properties, choices of materials and investments in ancillary facilities. In 2006, 2007, 2008 and the six months ended June 30, 2009, our construction costs were RMB1,242.0 million, RMB890.6 million, RMB1,495.5 million and RMB1,105.8 million, respectively.

Capitalized borrowing costs. Capitalized borrowing costs are derived from borrowings for our property development. We capitalize our borrowing costs as part of the cost of sales for a development project to the extent that such costs are directly attributable to the acquisition and construction of such project.

Business taxes. Revenue from property development and property investment are subject to business taxes of 5%, and revenue from property management is subject to business taxes of 5%.

Other gains/losses, net

Other net gains/losses primarily consist of forfeited customer deposits, net exchange gains/losses, gains on disposal of subsidiaries, income from investment in stocks listed on Stock Exchange and impairment losses on land use rights, properties under development and completed properties held for sale. The forfeited customer deposits are the non-refundable initial deposits paid by our customers upon entering into preliminary sale and purchase agreements but which we forfeited as a result of the failure of our customers to complete the purchases.

Land use rights, properties held for sale or properties held for future development are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. In 2008, we incurred and recognized impairment losses of RMB58.0 million on the completed properties held for sale and land use rights in Mingcui Garden Phase 1 and impairment losses of RMB155.0 million on the properties under development and land use rights in Lijing Harbor Phase 1. As the selling prices of properties in Mingcui Garden Phase 1 and Lijing Harbor Phase 1 were materially and adversely affected by the global economic slowdown and decline in demand for properties during the course of our pre-sales and sales of these two projects in 2008, the carrying amount of these properties were in excess of the net cash flows estimated to be generated from the properties for sale in these two projects. All the losses related to the properties pre-sold and sold that were known at the time of assessments for 2008 were recognized in 2008. Based on the impairment assessments prepared as at June 30, 2009, no losses from properties sold and pre-sold were noted for these two projects and other projects and our management believes that no provision for impairment losses is necessary in respect of our property projects in 2009.

Selling and marketing costs

Selling and marketing costs include advertising expenses, sales and agency commissions, and other expenses relating to sales and promotion of our properties.

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Administrative expenses

Administrative expenses comprise primarily staff costs, office expenses, directors’ emoluments, depreciation, legal and professional fees, travel expenses, and donations.

Change in fair value of investment properties

We hold certain properties, such as the commercial properties in Shenzhen Kaisa Center and Woodland Height Phases 4 and 6, and commercial properties and car parking spaces in Guangzhou Jinmao, for rental income or capital appreciation. Changes in fair values of investment property are recognized in the income statement in the year such changes arise. The fair values of our investment properties as of December 31, 2006, 2007 and 2008 and June 30, 2009 were determined by independent property valuers. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets. See “— Critical Accounting Policies — Fair Value of Investment properties” and “— Certain Balance Sheet Items — Investment Properties” in this “Financial Information” section.

Fair value change on financial derivatives

In September 2007, we entered into the Credit Agreement, pursuant to which a number of financial institutions agreed to make available to us a term loan facility. In connection with the Loan, we issued the Warrants pursuant to the warrant instruments dated September 12, 2007. For more details on the term loan facility and the Warrants, see “— Indebtedness — Long-term loan with detachable warrants” and the section entitled “History, Reorganization and Group Structure — Strategic Investments” in this document. The fair value of financial derivatives reflected the fair value of the financial derivatives issued under the warrant instruments. The fair values of the financial derivatives were calculated by an independent appraiser. The determination of fair value was made after consideration of a number of factors, including: effective interest rate, probability of the qualifying initial public offering, the average interest rate for five-year to seven-year term China treasury bonds and expected IPO price. We had fair value losses in financial derivatives of RMB18.6 million in 2007 and RMB19.9 million in the six months ended June 30, 2009, in contrast to the fair value gains in financial derivatives of RMB27.2 million in 2008. The fluctuation in fair value of financial derivatives during the Track Record Period was primarily attributable to the probability of the qualifying initial public offering assessed as at each of the respective balance sheet dates.

Finance income

Finance income represents interest income on bank deposits.

Finance costs

Finance costs comprise primarily interest expenses on bank borrowings, other borrowings and long-term loan with detachable warrants, net of capitalized borrowing costs. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period.

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Income tax expenses

Income tax expenses represent PRC enterprise income tax payable, deferred tax and LAT payable by our subsidiaries. The following table sets forth our tax provision for the periods indicated:

	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)
Current income tax					
— PRC enterprise income tax	60,695	135,608	135,035	79,443	90,849
— PRC LAT	14,952	119,000	11,997	9,666	60,306
Underprovision	—	4,835	—	—	—
Deferred income tax	55,048	(673)	4,768	114,373	65,325
	<u>130,695</u>	<u>258,770</u>	<u>151,800</u>	<u>203,482</u>	<u>216,480</u>

For 2006, 2007 and 2008 and the six months ended June 30, 2009, we recognized enterprise income tax (including underprovision and deferred income tax) of RMB115.7 million, RMB139.8 million, RMB139.8 million and RMB156.2 million, respectively. The fluctuation in our enterprise income taxes during 2006, 2007 and 2008 and from the six months ended June 30, 2008 to the six months ended June 30, 2009 were primarily attributable to a change in the profitability of our subsidiaries in the respective tax jurisdictions. We made higher provision for LAT in 2007 over 2006 due to the higher gross margins from various projects delivered in 2007. We made lower LAT provision in 2008, as compared to 2007, primarily due to the decrease in our gross profit derived from the sales of properties and the lower gross margin from various projects delivered in 2008. We made higher LAT provision in the six months ended June 30, 2009, as compared to the six months ended June 30, 2008, primarily due to the significant increase in our gross profit in the six months ended June 30, 2009. For 2006, 2007, 2008 and the six months ended June 30, 2009, our effective tax rate was approximately 20.9%, 34.9%, 23.3% and 37.0%, respectively. The increase in our effective tax rate in 2007 as compared to 2006 was primarily due to the increase in LAT in 2007. Our effective tax rate decreased to 23.3% in 2008 from 34.9% in 2007, primarily attributable to (i) the decrease in LAT, and (ii) our foreign exchange gains of RMB95.2 million, which contributed to our profit before income tax in 2008 and were exempted from payment of income tax under the relevant Cayman Islands laws. Our effective income tax rate increased to 37.0% in the six months ended June 30, 2009 from 24.3% in the six months ended June 30, 2008, primarily attributable to an increase in our LAT and the foreign exchange gains of RMB89.5 million in the six months ended June 30, 2008, which were exempted from payment of income tax under the relevant Cayman Islands laws. During the Track Record Period, we paid overdue taxes with an aggregate amount of approximately RMB5.4 million, late payment fees with an aggregate amount of approximately RMB2.0 million and related penalty fines of approximately RMB501,399 for certain instances of non-compliance with the relevant PRC tax laws and regulations. As of the Latest Practicable Date, we had fully settled these overdue taxes, late payment fees and related penalty fines. We have adopted certain measures to enhance our compliance with relevant tax laws and regulations. See the section entitled “Business — Compliance with Relevant PRC Regulations and Requirements” in this document.

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No income tax expense was provided for associated companies as no assessable profit was generated for 2006. No Hong Kong profits tax was provided for each of 2006, 2007 and 2008 and the six months ended June 30, 2009 as we had no assessable profits for those periods. Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries to us were exempt from PRC income tax. However, pursuant to the PRC Enterprise Income Tax Law and its implementation rules that became effective on January 1, 2008, dividends payable by foreign-invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10% unless such foreign investors’ jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. See the section entitled “Risk Factors — Risks Relating to Our Business — 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” in this document. In respect of the unremitted earnings of our PRC subsidiaries in 2008 and the six months ended June 30, 2009, we are able to control the distribution of these unremitted earnings and have no intention to distribute any profits out of our PRC subsidiaries in the foreseeable future. Therefore, we made no provision for withholding tax on undistributed profits of our PRC subsidiaries as of December 31, 2008 and June 30, 2009.

Profit for the year/period

For 2006, 2007 and 2008 and the six months ended June 30, 2009, our profit was RMB493.3 million, RMB483.4 million, RMB500.9 million and RMB368.0 million, respectively, and our net profit margin was approximately 20.6%, 21.6%, 16.1% and 14.9%, respectively.

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RESULTS OF OPERATIONS

The table below summarizes our audited consolidated results for 2006, 2007, 2008 and the six months ended June 30, 2009 and unaudited consolidated result for the six months ended June 30, 2008:

Consolidated Statements of Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
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)
	<u>493,342</u>	<u>483,370</u>	<u>500,913</u>	<u>632,465</u>	<u>367,962</u>

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Segment information

During the Track Record Period, we derived most of our revenue from sales of properties we developed. The following table sets out our revenue in each business segment and the percentage of revenue represented by each segment for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB millions)		(RMB millions)		(RMB millions)		(RMB millions) (unaudited)		(RMB millions)	
Sales of properties . . .	2,374.7	99.0%	2,095.1	93.5%	2,947.4	94.8%	1,186.5	92.1%	2,404.8	97.2%
Project consultancy services	—	—	104.8	4.7%	70.3	2.3%	70.3	5.5%	—	—%
Rental income	20.3	0.8%	28.4	1.3%	52.5	1.7%	21.9	1.7%	42.7	1.7%
Property management services	3.7	0.2%	11.1	0.5%	40.3	1.3%	9.0	0.7%	26.2	1.1%
Total	<u>2,398.7</u>	<u>100.0%</u>	<u>2,239.4</u>	<u>100.0%</u>	<u>3,110.4</u>	<u>100.0%</u>	<u>1,287.7</u>	<u>100.0%</u>	<u>2,473.7</u>	<u>100%</u>

Six months ended June 30, 2009 compared to six months ended June 30, 2008

Revenue. Our revenue increased by RMB1,186.0 million, or 92.1%, to RMB2,473.7 million in the six months ended June 30, 2009 from RMB1,287.7 million in the six months ended June 30, 2008. This increase in revenue was primarily attributable to an increase in our delivered GFA, partially offset by a decrease in the average selling price per sq.m. The properties that contributed substantially to our revenue in the six months ended June 30, 2009 were Xiangrui Garden, Jiangyin Lake View Place Phase 1, Shenzhen Lake View Place Phases 4–5, Zhongyang Haomen Phase 1 and Mingcui Garden Phase 1.

Sales of properties. Our revenue from sales of properties increased by RMB1,218.3 million, or 102.7%, to RMB2,404.8 million in the six months ended June 30, 2009 from RMB1,186.5 million in the six months ended June 30, 2008. This increase was primarily attributable to an increase in the total delivered GFA from approximately 89,446 sq.m. in the six months ended June 30, 2008 to approximately 276,442 sq.m. in the six months ended June 30, 2009, partially offset by a decrease in the average selling price per sq.m. from approximately RMB13,265 in the six months ended June 30, 2008 to approximately RMB8,699 in the six months ended June 30, 2009. Most of the properties we sold and delivered in the six months ended June 30, 2009 were residential units, while the project that contributed substantially to our revenue in the six months ended June 30, 2008 was Guangzhou Jinmao, which is located in a prime location within Guangzhou’s CBD and consists of a premium grade office building and retail space. As the average selling price of our commercial properties is generally higher than that of our residential properties, the completion and delivery of office space in Guangzhou Jinmao had a positive effect on our average selling price in the six months ended June 30, 2008.

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The following table sets out information on the revenue, cost of sales, GFA delivered and average selling price for properties in each of our projects in the six months ended June 30, 2008 and the six months ended June 30, 2009.

	Revenue		Costs of Sales		Total GFA delivered ⁽¹⁾		Average selling price ⁽²⁾	
	Six months ended		Six months ended		Six months ended		Six months ended	
	June 30,		June 30,		June 30,		June 30,	
	2008	2009	2008	2009	2008	2009	2008	2009
	(unaudited)		(unaudited)					
	(RMB'000)		(RMB'000)		(sq.m.)		(RMB/sq.m.)	
Woodland Height (桂芳園)								
Phase 4	519	—	275	—	71	—	7,266	—
Phase 5	1,500	—	1,105	—	185	—	8,113	—
Phase 6	3,316	—	1,733	—	369	—	8,996	—
Mocha Town (可園)								
Phase 1	700	—	568	—	77	—	9,045	—
Phase 2	—	2,431	—	1,196	—	323	—	7,517
Phase 3	—	4,651	—	1,455	—	389	—	11,961
Phase 4	1,399	4,760	748	967	54	259	25,700	18,414
Phase 5	17,881	—	11,473	—	1,239	—	14,431	—
Phase 6	49,246	4,453	27,564	1,712	2,373	445	20,761	10,008
Phase 7	—	38,037	—	24,616	—	4,466	—	8,517
Lake View Place (水岸新都)								
Phase 2	6,646	—	2,052	—	421	—	15,786	—
Phase 3	—	35,227	—	16,288	—	3,463	—	10,173
Phases 4 & 5	—	386,088	—	326,249	—	66,917	—	5,770
Guangzhou Jinmao (廣州金貿項目)	1,105,319	97,748	804,894	42,313	84,657	4,159	13,056	23,501
Zhongyang Haomen (中央豪門)								
Phase 1	—	259,252	—	192,784	—	47,789	—	5,425
Jiangyin Lake View Place (江陰水岸新都)								
Phase 1	—	407,980	—	302,949	—	38,963	—	10,471
Xiangrui Garden (香瑞園)	—	899,542	—	576,512	—	61,146	—	14,711
Mingcui Garden (茗萃園)								
Phase 1	—	264,593	—	245,138	—	48,122	—	5,498
Total	1,186,525	2,404,762	850,412	1,732,179	89,446	276,442		

(1) Based on our internal records.

(2) The average selling price for the period is calculated by dividing the revenue as shown in the first and second columns by the total GFA delivered as shown in the fifth and sixth columns.

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Rental income. Our rental income increased by RMB20.8 million, or 95.0%, to RMB42.7 million in the six months ended June 30, 2009 from RMB21.9 million in the six months ended June 30, 2008. This increase was primarily attributable to the increased retail space in Guangzhou Jinmao that was leased out in the six months ended June 30, 2009.

Property management services. Our revenue from property management fees increased by RMB17.2 million, or 191.1%, to RMB26.2 million in the six months ended June 30, 2009 from RMB9.0 million in the six months ended June 30, 2008. This increase was primarily attributable to the additional property management fees derived from our property services for the commercial properties in Guangzhou Jinmao and the residential units delivered in the six months ended June 30, 2009.

Project consultancy services. Our revenue also comprised income from our project consultancy services provided for the development of Riverside Hill Town. The project consultancy services were performed under a series of contractual development arrangements for Riverside Hill Town between us and an independent third party. Revenue derived from our project consultancy services represents the payment for our project consultancy services provided for the development of Riverside Hill Town and our contribution to this project under the relevant agreement. See the section entitled “Business — Project Management and Consultancy Services” in this document. Our revenue from our project consultancy services was RMB70.3 million in the six months ended June 30, 2008 and nil in the six months ended June 30, 2009. We had received the total project consultancy services fees by the end of 2008.

Cost of sales. Our cost of sales increased by RMB992.3 million, or 112.5%, to RMB1,874.1 million in the six months ended June 30, 2009 from RMB881.8 million in the six months ended June 30, 2008. This increase was primarily attributable to the increased amount of GFA delivered, partially offset by a decrease in the average land cost per sq.m. to RMB1,553 in the six months ended June 30, 2009 from RMB3,073 in the six months ended June 30, 2008. The higher average land cost per sq.m. in the six months ended June 30, 2008 was primarily attributable to the completion and delivery of office space in Guangzhou Jinmao, which had relatively high land costs due to the project’s prime location within Guangzhou’s CBD.

Gross profit. Our gross profit increased by RMB193.7 million, or 47.7%, to RMB599.6 million in the six months ended June 30, 2009 from RMB405.9 million in the six months ended June 30, 2008. Our gross profit margin in the six months ended June 30, 2008 and the six months ended June 30, 2009 was 31.5% and 24.2%, respectively. We had lower gross profit margin in the six months ended June 30, 2009 primarily because we had no revenue from project consultancy services in this period, which generally has relatively higher gross profit margin than that of our sales of properties. Our gross profit margin of the sales of properties in the six months ended June 2008 and the six months ended June 2009 remained relatively constant.

Other gains/losses, net. Our other net gains decreased by RMB90.6 million, or approximately 100.5%, to RMB0.5 million in the six months ended June 30, 2009 from RMB90.1 million in the six months ended June 30, 2008. This decrease was primarily attributable to the foreign exchange losses of RMB1.8 million in the six months ended June 30, 2009, as compared to the foreign exchange gains of RMB89.5 million in the six months ended June 30, 2008. Our foreign exchange gains and losses were primarily derived from the proceeds from the U.S. dollar denominated long-term loan with detachable

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warrants we borrowed in the second half of 2007. See “— Indebtedness — Long-term loan with detachable warrants.” The fluctuation of our foreign exchange gains and losses was primarily affected by the exchange rate between the Renminbi and U.S. dollar.

Selling and marketing costs. Our selling and marketing costs remained largely constant in the six months ended June 30, 2009 and the six months ended June 30, 2008.

Administrative expenses. Our administrative expenses increased by RMB13.8 million, or 16.1%, to RMB99.4 million in the six months ended June 30, 2009 from RMB85.6 million in the six months ended June 30, 2008. This increase was primarily attributable to an increase in amortized costs of land use rights due to our increased land acquisition activities, an increase in operating rental expenses for our increased rented office premises in various regions and an increase in staff costs resulting from our business expansion.

Change in fair value of investment properties. The increase in fair value of our investment properties was RMB575.4 million of investment properties in the six months ended June 30, 2008 and RMB281.4 million in the six months ended June 30, 2009. The increase in fair value of our investment properties in the six months ended June 30, 2008 was primarily attributable to the addition of commercial properties in Guangzhou Jinmao into our investment property portfolio. The increase in fair value of our investment properties in the six months ended June 30, 2009 was primarily attributable to the appreciated fair value of our investment properties in Guangzhou Jinmao and addition of commercial properties in Woodland Height Phase 4 into our investment property portfolio.

Change in fair value of financial derivatives. We incurred a fair value loss in financial derivatives of RMB25.6 million and RMB19.9 million in the six months ended June 30, 2008 and 2009, respectively. In September 2007, we entered into a credit agreement, pursuant to which a number of financial institutions agreed to make available to us a term loan facility. In connection with the Loan, we issued the Warrants pursuant to the warrant instruments dated September 12, 2007. The fair value of financial derivatives reflected the fair value of the financial derivatives issued under the warrant instruments. The fair values of these instruments were calculated by an independent appraiser. See “— Indebtedness — Long-term loan with detachable warrants” in this document.

Finance income. Our finance income decreased by RMB2.9 million, or approximately 61.5% to RMB1.8 million in the six months ended June 30, 2009 from RMB4.7 million in the six months ended June 30, 2008. The decrease was primarily due to a decrease in the interest income on bank deposits of our proceeds from pre-sale of properties as we used a significant portion of such proceeds in financing our property development activities in the six months ended June 30, 2009.

Finance costs. Our finance costs increased by RMB47.7 million, or approximately 78.7%, to RMB108.4 million in the six months ended June 30, 2009 from RMB60.7 million in the six months ended June 30, 2008. The increase was primarily attributable to an increase in the interest expense incurred, net of the portion being capitalized, in relation to our increased bank borrowings used in financing our property development activities.

Income tax expenses. Our income tax expenses increased by RMB13.0 million, or approximately 6.4%, to RMB216.5 million in the six months ended June 30, 2009 from RMB203.5 million in the six months ended June 30, 2008. Our effective income tax rate increased to 37.0% in the six months ended June 30, 2009 from 24.3% in the six months ended June 30, 2008. The increase was primarily

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attributable to (i) the foreign exchange losses of RMB1.8 million in the six months ended June 30, 2009 in contrast to the foreign exchange gains of RMB89.5 million in the six months ended June 30, 2008, which were exempted from payment of income tax under the relevant Cayman Islands laws; and (ii) an increase in LAT from RMB9.7 million in the six months ended June 30, 2008 to RMB60.3 million in the six months ended June 30, 2009 primarily as a result of our increased gross profit, partially offset by a decrease in the deferred income tax, mainly arising from the revaluation of the fair value of investment properties from RMB114.4 million in the six months ended June 30, 2008 to RMB65.3 million in the six months ended June 30, 2009.

Profit for the year/period. As a result of the factors described above, our profit for the year/period decreased by RMB264.5 million, or 41.8%, to RMB368.0 million in the six months ended June 30, 2009 from RMB632.5 million in the six months ended June 30, 2008. Our net profit margin was 14.9% in the six months ended June 30, 2009 and 49.1% in the six months ended June 30, 2008. The decrease in our net profit margin was primarily attributable to the decreased fair value gain on investment properties and the decreased revenue from project consultancy services in the six months ended June 30, 2009. Our net profit (excluding change in fair value on investment properties, change in fair value of financial derivatives and the corresponding deferred taxes) for the six months ended June 30, 2008 and the six months ended June 30, 2009 was RMB222.4 million and RMB173.3 million, respectively, resulting in corresponding net profit margin (excluding change in fair value on investment properties, change in fair value of financial derivatives and the relevant deferred taxes) of 17.3% and 7.0% for the six months ended June 30, 2008 and June 30, 2009, respectively.

2008 compared to 2007

Revenue. Our revenue increased by RMB871.1 million, or 38.9%, to RMB3,110.4 million in 2008 from RMB2,239.4 million in 2007. This increase in revenue was primarily attributable to an increase in our delivered GFA and an increase in the average selling price per sq.m. in 2008. The properties that contributed substantially to our revenue in 2008 were Guangzhou Jinmao, Mocha Town Phase 7, Mingcui Garden Phase 1, Shenzhen Lake View Place Phases 3–5 and Xiangrui Garden.

Sales of properties. Our revenue from sales of properties increased by RMB852.3 million, or 40.7%, to RMB2,947.4 million in 2008 from RMB2,095.1 million in 2007. This increase was primarily due to an increase in (i) the total delivered GFA from approximately 255,501 sq.m. in 2007 to approximately 303,218 sq.m. in 2008; and (ii) our average selling price per sq.m. on delivered properties from approximately RMB8,200 in 2007 to approximately RMB9,720 in 2008. The increase in our average selling price per sq.m. in 2008 was primarily attributable to the sales and delivery of a significant amount of office space in Guangzhou Jinmao.

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The following table sets out information on the revenue, cost of sales, GFA delivered and average selling price for properties in each of our projects in 2007 and 2008.

	Revenue		Cost of sales		Total GFA delivered ⁽¹⁾		Average selling price ⁽²⁾	
	2007	2008	2007	2008	2007	2008	2007	2008
	(RMB'000)		(RMB'000)		(sq.m.)		(RMB/sq.m.)	
Woodland Height (桂芳園)								
Phase 4	—	519	—	240	—	71	—	7,273
Phase 5	—	1,500	—	573	—	185	—	8,115
Phase 6	—	3,340	—	1,037	—	369	—	9,063
Phase 7	1,293	—	869	—	206	—	6,277	—
Phase 8	6,664	—	3,721	—	400	—	16,660	—
Mocha Town (可園)								
Phase 1	—	700	—	271	—	77	—	9,050
Phase 2	21,667	—	5,397	—	1,459	—	14,851	—
Phase 3	51,482	—	7,404	—	2,021	—	25,474	—
Phase 4	83,433	1,399	11,136	178	3,091	54	26,992	25,703
Phase 5	724,693	22,251	458,629	12,976	102,272	1,842	7,086	12,078
Phase 6	798,790	57,073	435,394	11,666	92,899	3,303	8,589	17,277
Phase 7	—	866,682	—	573,401	—	95,336	—	9,091
Shenzhen Kaisa Center (深圳佳兆業中心)	6,045	—	3,752	—	406	—	14,889	—
Shenzhen Lake View Place (深圳水岸新都)								
Phase 1	78,105	—	22,788	—	5,336	—	14,637	—
Phase 2	322,880	8,433	207,097	2,495	47,411	737	6,810	11,448
Phase 3	—	258,144	—	175,639	—	38,342	—	6,733
Phases 4 and 5	—	120,433	—	77,337	—	16,301	—	7,388
Xiangrui Garden (香瑞園)	—	104,996	—	79,301	—	9,164	—	11,457
Mingcui Garden (茗萃園)								
Phase 1	—	334,768	—	314,307	—	52,005	—	6,437
Guangzhou Jinmao (廣州金貿項目)	—	1,167,133	—	847,751	—	85,431	—	13,662
Total	2,095,052	2,947,371	1,156,187	2,097,172	255,501	303,218		

(1) Based on our internal records.

(2) The average selling price for the period is calculated by dividing the revenue as shown in the first and second columns by the total GFA delivered as shown in the fifth and sixth columns.

Rental income. Our rental income increased by RMB24.1 million, or 84.9%, to RMB52.5 million in 2008 from RMB28.4 million in 2007. This increase was primarily attributable to the increased retail space in Guangzhou Jinmao and Shenzhen Kaisa Center that was leased out in 2008.

Property management services. Our revenue from property management services increased by RMB29.2 million, or 263.2%, to RMB40.3 million in 2008 from RMB11.1 million in 2007. This increase was primarily due to the additional property management fees derived from our property management services for the commercial properties in Guangzhou Jinmao and residential units delivered in 2008.

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Project consultancy services. Our revenue also comprised income from our project consultancy services provided for the development of Riverside Hill Town. See the section entitled “Business — Project Management and Consultancy Services” in the document. Our revenue from our project consultancy services was RMB104.8 million in 2007 and RMB70.3 million in 2008. The project consultancy services fees were determined with reference to the GFA of Riverside Hill Town for which we provided services and support.

Cost of sales. Our cost of sales increased by RMB977.9 million, or 77.3%, to RMB2,243.4 million in 2008 from RMB1,265.5 million in 2007. This increase was primarily due to the construction cost incurred for the development of Guangzhou Jinmao, which comprises a premium grade office building, and the higher average land cost per sq.m. of RMB1,512 for the properties delivered in 2008, compared with the average land cost per sq.m. of RMB711 for the properties delivered in 2007. The substantial increase in the average land cost per sq.m. in 2008 was primarily attributable to Guangzhou Jinmao, which had relatively higher land costs due to the project’s prime location within Guangzhou’s CBD.

Gross profit. Our gross profit decreased by RMB106.8 million, or 11.0%, to RMB867.1 million in 2008 from RMB973.9 million in 2007. Our gross profit margin in 2007 and 2008 was 43.5% and 27.9%, respectively. The decrease in gross profit margin was primarily due to the average selling price per sq.m. growing at a slower pace than the increase in the average cost of sales per sq.m. While the average selling price per sq.m. increased by approximately 18.5% from approximately RMB8,200 in 2007 to approximately RMB9,720 in 2008, the average cost of sales per sq.m. increased by approximately 52.8% from approximately RMB4,525 in 2007 to approximately RMB6,916 in 2008. The lower rate of increase in the average selling price per sq.m. was primarily attributable to the market downturn in China as a result of the global economic slowdown.

Other gains/losses, net. We had other net losses of RMB116.2 million in 2008, as compared to the other net gains of RMB10.4 million in 2007. The other net losses in 2008 were primarily due to the impairment losses of RMB58.0 million on the completed properties held for sale and land use rights in Mingcui Garden Phase 1 and the impairment losses of RMB155.0 million on the properties under development and land use rights in Lijing Harbor Phase 1. We incurred such impairment losses mainly because our pre-sales and sales of properties in these two projects had been adversely affected by the recent global economic slowdown.

Selling and marketing costs. Our selling and marketing costs increased by RMB92.5 million, or 155.8%, to RMB151.8 million in 2008 from RMB59.3 million in 2007. The increase in selling and marketing costs was primarily due to an increase in our advertising and other promotional costs, which were incurred in connection with our pre-sale activities for relatively larger number of our projects in 2008, as compared to 2007.

Administrative expenses. Our administrative expenses increased by RMB8.5 million, or 5.4%, to RMB165.7 million in 2008 from RMB157.2 million in 2007. This increase was primarily attributable to an increase in staff costs resulting from the increased number of our administrative and management staff in connection with our property development projects in different regions.

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Change in fair value of investment properties. The increase in fair value of our investment properties was RMB36.5 million of investment properties in 2007 and RMB302.6 million in 2008. The increase in fair value in 2007 was primarily attributable to valuation of the commercial properties retained by us for leasing in Shenzhen Kaisa Center. The increase in 2008 was primarily attributable to the addition of the investment properties in Guangzhou Jinmao into our investment property portfolio.

Change in fair value of financial derivatives. We had a fair value gain of RMB27.2 million of financial derivatives in 2008, compared to a fair value loss of RMB18.6 million of financial derivatives in 2007. The fair value of financial derivatives reflected the fair value of the financial derivatives issued pursuant to the warrant instruments dated September, 2007. The fair values of these instruments were calculated by an independent appraiser. See “— Indebtedness — Long-term loan with detachable warrants” in this document.

Finance income. Our finance income decreased by RMB1.8 million, or approximately 19.8% to RMB7.2 million in 2008 from RMB9.0 million in 2007. The decrease was primarily due to a decrease in the interest income on bank deposits, resulting from our increased utilization of proceeds from pre-sale of properties for financing our property development activities in 2008.

Finance costs. Our finance costs increased by RMB65.2 million, or approximately 124.3%, to RMB117.6 million in 2008 from RMB52.4 million in 2007. The increase was primarily due to an increase in the interest expense incurred, net of the portion being capitalized, primarily due to overall increased bank borrowings.

Income tax expenses. Our income tax expenses decreased by RMB107.0 million, or approximately 41.3%, to RMB151.8 million in 2008 from RMB258.8 million in 2007. Our effective income tax rate decreased to 23.3% in 2008 from 34.9% in 2007. The decrease reflected our lower provision for LAT of RMB12.0 million due to the lower gross profit margin, and our foreign exchange gains of RMB95.2 million, which were exempted from payment of income tax under the relevant Cayman Islands laws.

Profit for the year/period. As a result of the effect of the factors described above, our profit for the year/period increased by RMB17.5 million, or 3.6%, to RMB500.9 million in 2008 from RMB483.4 million in 2007. Our net profit margin was 16.1% in 2008 and 21.6% in 2007. The decrease in our net profit margin was primarily attributable to the lower gross profit margin, the increased finance costs and selling and marketing expenses in connection with our property development and sales activities. Our net profit (excluding change in fair value on investment properties, change in fair value of financial derivatives and the corresponding deferred taxes) for 2007 and 2008 was RMB470.0 million and RMB253.3 million, respectively, resulting in the corresponding net profit margin (excluding change in fair value on investment properties, change in fair value of financial derivatives and the relevant deferred taxes) of 21.0% and 8.1% for 2007 and 2008, respectively.

2007 compared to 2006

Revenue. Our revenue decreased by RMB159.3 million, or approximately 6.6%, to RMB2,239.4 million in 2007 from RMB2,398.7 million in 2006. This decrease in revenue was primarily due to a decrease in GFA delivered in 2007. The properties that contributed substantially to revenue in 2007 were Mocha Town Phases 5 and 6 and Shenzhen Lake View Place Phase 2.

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Sales of properties. Our revenue from sales of properties decreased by RMB279.6 million, or approximately 11.8%, to RMB2,095.1 million in 2007 from RMB2,374.7 million in 2006. This decrease was primarily due to the decrease in total GFA we delivered from approximately 345,621 sq.m. in 2006 to approximately 255,501 sq.m. in 2007, as a result of fewer projects being sold during the year. The decrease in GFA delivered was partially offset by an increase in average selling price per sq.m. on delivered properties from approximately RMB6,871 in 2006 to approximately RMB8,200 in 2007. In particular, the average selling prices per sq.m. for Mocha Town Phases 3 and 4 had increased substantially due to sales of retail units that normally command higher prices. The average selling price per sq.m. for Woodland Height Phase 7 had decreased due to sales of more residential units instead of retail units, in 2006.

The following table sets out information on the revenue, cost of sales, GFA delivered and average selling price for properties in each of our projects in 2006 and 2007.

	Revenue		Cost of sales		Total GFA delivered ⁽¹⁾		Average selling price ⁽²⁾	
	2006	2007	2006	2007	2006	2007	2006	2007
	(RMB'000)		(RMB'000)		(sq.m.)		(RMB/sq.m.)	
Woodland Height (桂芳園)								
Phase 4	239	—	202	—	61	—	3,918	—
Phase 5	857	—	548	—	169	—	5,071	—
Phase 7	3,480	1,293	1,421	869	348	206	10,000	6,277
Phase 8	382,693	6,664	291,886	3,721	74,557	400	5,133	16,660
Mocha Town (可園)								
Phase 1	2,900	—	1,514	—	413	—	7,022	—
Phase 2	3,583	21,667	1,999	5,397	541	1,459	6,623	14,851
Phase 3	321,888	51,482	237,499	7,404	62,844	2,021	5,122	25,474
Phase 4	485,667	83,433	318,846	11,136	87,033	3,091	5,580	26,992
Phase 5	—	724,693	—	458,629	—	102,272	—	7,086
Phase 6	—	798,790	—	435,394	—	92,899	—	8,598
Shenzhen Kaisa Center (深圳佳兆業中心)	773,776	6,045	608,710	3,752	61,211	406	12,641	14,889
Shenzhen Lake View Place (深圳水岸新都)								
Phase 1	399,652	78,105	255,278	22,788	58,444	5,336	6,838	14,637
Phase 2	—	322,880	—	207,097	—	47,411	—	6,810
Total	<u>2,374,735</u>	<u>2,095,052</u>	<u>1,717,903</u>	<u>1,156,187</u>	<u>345,621</u>	<u>255,501</u>		

(1) Based on our internal records.

(2) The average selling price for the period is calculated by dividing the revenue as shown in the first and second columns by the total GFA delivered as shown in the fifth and sixth columns.

Rental income. Our rental income increased by RMB8.1 million, or approximately 39.9%, to RMB28.4 million in 2007 from RMB20.3 million in 2006. This increase was primarily due to rental income derived from retail space in Shenzhen Kaisa Center.

Property management services. Our revenue from property management services increased by RMB7.4 million, or approximately 203.4%, to RMB11.1 million in 2007 from RMB3.7 million in 2006. This increase was primarily due to additional management fees that we received from our property management services for properties in Woodland Height and Mocha Town.

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Project consultancy services. In 2007, our revenue also comprised income of RMB104.8 million derived from our project consultancy services provided for the development of Riverside Hill Town. See the section entitled “Business — Project Management and Consultancy Services” in this document.

Cost of sales. Our cost of sales decreased by RMB561.0 million, or approximately 30.7%, to RMB1,265.5 million in 2007 from RMB1,826.5 million in 2006. This decrease was due to the decreased amount of GFA delivered in 2007 and the lower average land cost per sq.m. of RMB711 for the properties delivered in 2007, compared with the average land cost per sq.m. of RMB1,112 for the properties delivered in 2006. In 2006, we completed and delivered most of the units with GFA of approximately 61,211 sq.m. in Shenzhen Kaisa Center, which had relatively high land costs due to its location in Shenzhen’s CBD.

Gross profit. Our gross profit increased by RMB401.7 million, or approximately 70.2%, to RMB973.9 million in 2007 from RMB572.2 million in 2006. Our gross margin substantially increased from approximately 23.9% in 2006 to approximately 43.5% in 2007. This increase was primarily due to an increase in average selling prices of the properties that were delivered in 2007 as a result of a general increase in average selling prices in the Shenzhen property market during the year.

Other gains/losses, net. Our other net gains increased by RMB7.3 million, or approximately 235.5%, to RMB10.4 million in 2007 from RMB3.1 million in 2006, primarily due to the net foreign exchange gains of RMB6.5 million. This is mainly attributable to foreign exchange gains from the proceeds from the U.S. dollar denominated long-term loan with detachable warrants we borrowed in 2007 offset by foreign exchange loss from U.S. dollar denominated deposits.

Selling and marketing costs. Our selling and marketing costs decreased by RMB24.5 million, or approximately 29.1%, to RMB59.3 million in 2007 from RMB83.8 million in 2006. The decrease in selling and marketing costs was primarily due to a further decrease in advertising and other promotional costs of RMB9.7 million and a decrease in agency fee of RMB6.7 million.

Administrative expenses. Our administrative expenses increased by RMB75.7 million, or approximately 92.9%, to RMB157.2 million in 2007 from RMB81.5 million in 2006. The increase in administrative expenses was primarily due to an increase in donations of RMB34.6 million from RMB2.9 million in 2006, to various charities and social welfare organizations for the purpose of supporting philanthropic activities and increasing our contribution to the community in various areas in China, especially in the regions where we operate, an increase in legal and professional fees of RMB6.4 million relating to acquisition of equity interest in various companies that hold land use rights for the targeted land, and an increase in staff costs of RMB9.5 million.

Change in fair value of investment properties. Our increase in fair value of investment properties was RMB231.7 million in 2006 and RMB36.5 million in 2007. The increase in fair value in 2006 was primarily attributable to valuation of the commercial properties retained by us for leasing in Shenzhen Kaisa Center, which was completed in 2006. The increase in fair value in 2007 was primarily attributable to valuation of the commercial properties retained by us for leasing in Shenzhen Kaisa Center.

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Change in fair value of financial derivatives. Our change in fair value of financial derivatives was RMB18.6 million in 2007. The change in fair value of financial derivatives in 2006 was nil because the relevant financial derivatives were issued in 2007. See “— Indebtedness — Long-term loan with detachable warrants.”

Finance income. Our finance income decreased by RMB3.6 million, or approximately 28.6% to RMB9.0 million in 2007 from RMB12.6 million in 2006, despite the increases in interest rates. The decrease was primarily due to the decrease in interest income on bank deposits of proceeds from pre-sale of the properties developed by us. In particular, the funds raised in the financing of RMB1,476.0 million did not contribute significantly to the interest finance income as a significant portion has been allocated among various new land projects as equity, and thus any interest income associated is capitalized. The remaining portion that is not remitted was maintained offshore and was subject to relatively low USD interest rates.

Finance costs. Our finance costs increased by RMB22.2 million or approximately 73.5%, to RMB52.4 million in 2007 from RMB30.2 million in 2006. The increase was due to the increase in interest expense incurred net of the portion being capitalized in relation to bank borrowings used for financing our property development activities, which have not been capitalized as construction of the relevant property before the developments have been completed.

Income tax expenses. Our income tax expenses increased by RMB128.1 million, or approximately 98.0%, to RMB258.8 million in 2007 from RMB130.7 million in 2006. Our effective income tax rate increased to approximately 34.9% in 2007 from approximately 20.9% in 2006. The increase reflected our higher taxable income in 2007 and higher provision for LAT of RMB119.0 million due to higher gross margins from various projects delivered in 2007 as a result of higher average selling prices.

Profit for the year/period. As a result of the effect of the factors described above, our profit for the year decreased by RMB9.9 million, or approximately 2.0%, to RMB483.4 million in 2007 from RMB493.3 million in 2006. Our net profit margin was 20.6% in 2006 and 21.6% in 2007. The increase in our net profit margin from 2006 to 2007 was primarily attributable to the increase in our average selling price in 2007. Our net profit, excluding change in fair value on investment properties, change in fair value of financial derivatives and the corresponding deferred taxes, for 2006 and 2007 was RMB319.5 million and RMB470.0 million, respectively, resulting in the corresponding net profit margin (excluding change in fair value on investment properties, change in fair value of financial derivatives and the relevant deferred taxes) of 13.5% and 21.0% for 2006 and 2007, respectively.

CERTAIN BALANCE SHEET ITEMS

Land use rights

Land use rights represent our cost incurred in acquiring land use rights for the parcels of land in China for our residential and commercial property development over fixed periods. Our land use rights are divided into current and non-current assets. Land use rights are recorded in our current assets when the development of the relevant project are expected to be completed within a normal operating cycle, or else as non-current assets. Our normal operating cycle ranges typically from one to two years. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had respective total land use rights of RMB1,250.1 million, RMB3,218.4 million, RMB4,839.3 million and RMB4,642.6 million, of which RMB1,225.6 million, RMB3,194.6 million, RMB4,816.0 million and RMB4,619.7 million, respectively,

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were included in current assets, and RMB24.6 million, RMB23.8 million, RMB23.2 million and RMB22.9 million, respectively, were included in non-current assets. The fluctuation of our land use rights during the Track Record Period was primarily attributable to our land acquisition activities during the Track Record Period. The significant increase in land use rights in 2007 was primarily due to the cost incurred in acquiring land use rights for our nine property projects: Shangpin Garden, Zhongyang Haomen, Xiangrui Garden, Wanzai, Jingcheng Shanzhuang, Lijing Harbor, Shuangliu, Mingcui Garden and Huizhou Kaisa Center. The further increase in land use rights in 2008 was primarily due to the cost incurred in acquiring land use rights for our six property projects: Jiangyin Lake View Place, Changsha Lake View Place, Dongjiang Haomen, Huizhou Boluo, Huizhou Tonghu and Shanghai Shanhuwan Garden. The decrease in land use rights in the six months ended June 30, 2009 was primarily due to delivery of the properties in various projects, including Xiangrui Garden, Jiangyin Lake View Place Phase 1, Mingcui Garden Phase 1 and Shenzhen Lake View Place Phases 3–5, partially offset by the land cost with respect to Keyu Golden Bay Resort.

Completed properties held for sale

Completed properties held for sale include our completed properties remaining unsold at each of our balance sheet dates and are included in our consolidated balance sheet as current assets. They are stated at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in our ordinary course of business, net of applicable selling expenses, or by management estimates based on prevailing market conditions. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our completed properties held for sale amounted to approximately RMB173.8 million, RMB171.2 million, RMB1,279.7 million and RMB988.7 million, respectively. The significant increase in completed properties held for sale in 2008, as compared to 2006 and 2007, was primarily attributable to Mingcui Garden Phase 1, which was completed in November 2008, a portion of Xiangrui Garden, which was completed in December 2008 and Shenzhen Lake View Place Phases 3–5, which were completed in fourth quarter of 2008. In the six months ended June 30, 2009, the decrease in completed properties held for sale was primarily attributable to the reduced completed properties held for sale in Mingcui Garden Phase 1, Xiangrui Garden and Shenzhen Lake View Place Phases 3–5, partially offset by the addition of completed properties held for sale in Jiangyin Lake View Place Phase 1, which was completed in April 2009.

Properties under development

Properties under development consist of properties for which we have obtained the relevant land use rights certificates. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had properties under development of RMB1,022.7 million, RMB2,134.9 million, RMB2,375.0 million and RMB2,708.0 million, respectively. The fluctuation of our properties under development during the Track Record Period was primarily attributable to the timing of our land acquisition and property delivery. The significantly increased properties under development as of December 31, 2007 and 2008 and June 30, 2009 as compared to those as of December 31, 2006 primarily reflected the increased capital expenditures in our new projects for which we commenced construction after December 31, 2006 and before June 30, 2009.

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Certain sub-items under debtors, deposits and other receivables

Other receivables. Other receivables primarily consist of deposits paid for land acquisition, construction of our property projects and the operating leases and deposits paid to third parties for carrying out business opportunities which were not related to property development. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had other receivables of RMB382.1 million, RMB48.5 million, RMB49.9 million and RMB86.6 million, respectively. The significant decrease in our other receivables in 2007, as compared to 2006, was primarily due to the refund of deposits paid to third parties as we did not pursue those business opportunities. Our other receivables remained largely constant in 2007 and 2008. The increase in our other receivables in the six months ended June 30, 2009, as compared to 2008, was primarily attributable to our deposits paid in connection with land acquisitions and operating leases and receivables arising from termination of a land-related contractual arrangement. Prior to 2007, we made deposits to independent third parties for various business propositions, including those relating to proposed department store management services, proposed environmental protection consultancy services and proposed computer software development. After careful consideration, we decided not to pursue these business opportunities, primarily because none of them were related to our core competence in property development business. As of June 30, 2009, we had fully recovered all of our deposits paid to independent third parties for pursuing these proposed business opportunities. We had no receivables arising from termination of contractual arrangements as of December 31, 2006, 2007 and 2008, respectively, and RMB19.0 million of such receivables as of June 30, 2009.

Prepayments. Prepayments mainly represent prepayments for construction costs to third parties and professional fees in connection with [●]. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we made prepayments for construction costs of RMB40.7 million, RMB282.5 million, RMB302.2 million and RMB270.8 million to third parties, respectively. The significant increase in our prepayments in 2007, as compared with our prepayments in 2006, was primarily due to our prepayment of RMB200.3 million paid to the contractor for the construction of our Shuangliu project. The prepayments remained relatively constant in 2007, 2008 and the six months ended June 30, 2009. As of June 30, 2009, our total prepaid professional fees in connection with [●] were RMB47.5 million.

Prepaid interest. Prepaid interest as of December 31, 2007 consisted of the payment of the two month interest arising from the long-term loan with detachable warrants, which did not exist as of December 31, 2006. Prepaid interest as of December 31, 2008 was of the same nature as that of the prepaid interest as of December 31, 2007.

Amounts due from related parties

Amounts due from related parties comprise amounts due from close family members of our Controlling Shareholders and companies controlled by our Controlling Shareholders. See the section entitled “Connected Transactions — Related Parties Transactions” in this document. The amounts due from related parties were unsecured, non-interest bearing and receivable on demand. The amounts due from related parties as of December 31, 2006 has been fully settled in cash. As of December 31, 2007 and 2008 and June 30, 2009, we did not have any amounts due from related parties.

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Investment properties

We hold certain commercial properties which we developed for long-term investment purposes and recurring rental income. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our investment properties were valued at RMB482.1 million, RMB518.6 million, RMB1,278.4 million and RMB1,570.2 million, respectively, based on the revaluation by Savills Valuation and Professional Services Limited, independent property valuers. The increase of RMB36.5 million in our investment properties in 2007 as compared to 2006 was primarily due to the appreciation in the property value of our commercial properties in Shenzhen Kaisa Center in 2007. Our investment properties increased by RMB759.8 million in 2008, primarily due to the addition of the commercial properties in Guangzhou Jinmao into our investment property portfolio. The further increase in our investment properties as of June 30, 2009 was primarily due to the appreciation in the property value of our investment properties in Guangzhou Jinmao and addition of Woodland Height Phase 4 into our investment property portfolio.

Amounts due to related parties

Amounts due to related parties comprise amounts due to our Controlling Shareholders, their close family members, and the companies controlled by close family members of our Controlling Shareholders. See the section entitled “Connected Transactions — Related Parties Transactions” in this document. As of June 30, 2009, except for RMB0.3 million, all amounts due to related parties had been settled. We expect to fully settle the remaining amount of RMB0.3 million.

Other payables

Our other payables include payables and accruals to associated companies and third parties, purchase consideration for subsidiaries, refundable deposits received for renovation contracts and other taxes payables.

The following table presents our other payables composition for the periods indicated:

	As of December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals	420,289	245,507	167,142	237,845
Associated companies	101,828	—	—	—
Third parties	318,461	245,507	167,142	237,845
Purchase consideration of subsidiaries	—	407,608	509,344	545,574
Refundable deposit received for				
renovation contract	—	250,000	198,998	152,896
Other taxes payable	1,377	16,157	5,292	8,515
	<u>421,666</u>	<u>919,272</u>	<u>880,776</u>	<u>944,830</u>

We had no trade payables balances as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. With a view to maintaining long-term business relationships with our suppliers, we generally do not utilize the credit terms allowed by our suppliers and settle trade payables balances within a short period of time after receiving the invoices.

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As of December 31, 2006, 2007 and 2008 and June 30, 2009, our other payables were RMB421.7 million, RMB919.3 million, RMB880.8 million and RMB944.8 million, respectively. The net increase in other payables of RMB497.6 million in 2007 as compared to 2006 was primarily attributable to the purchase consideration for subsidiaries of RMB407.6 million in connection with our land acquisitions and a refundable deposit of RMB250.0 million received under a renovation contract in connection with our development of Guangzhou Jinmao, and was partially offset by the decrease of RMB174.8 million in other payables and accruals. Our other payables decreased by RMB38.5 million in 2008 as compared to 2007, primarily attributable to a decrease of RMB100.0 million in our payables in connection with sales proceeds received from properties in Riverside Hill Town and a decrease of RMB51.0 million in refundable deposits received for renovation contract in connection with our development of Guangzhou Jinmao, partially offset by an increase of RMB101.7 million in purchase consideration of subsidiaries in connection with our land acquisitions. Our other payables increased by RMB64.1 million in the six months ended June 30, 2009 as compared to 2008, primarily attributable to the interest payables of RMB43.1 million under the long-term loan with detachable warrants, with respect to which the original due date of February 26, 2009 was extended to and settled on August 26, 2009 as a result of the restructuring of the long-term loan with detachable warrants. See “— Indebtedness — Long term loan with detachable warrants.”

Other payables and accruals to associated companies primarily consisted of advances due to associated companies in relation to the acquisition of the associated companies. The amounts due to associated companies were unsecured, interest-free and had no fixed terms of repayment.

Other payables and accruals to third parties primarily included amounts received from our customers to pay for stamp duty on their behalf, note payables, proceeds from sales of properties in Riverside Hill Town for which we provided project consultancy services, deposits received from construction companies before they provided the relevant services to us, and deposits received from independent third parties for proposed business opportunities which were not related to property development.

We entered into a development cooperation agreement in 2005 with Dongguan Fenggang Real Estate Development Company (“Dongguan Fenggang”), an independent third party, under which we had the contractual right to develop Riverside Hill Town project in the name of Dongguan Fenggang. On January 23, 2008, we and Dongguan Fenggang entered into a supplemental agreement under which we terminated certain provisions of the original development cooperation agreement. See the section entitled “Business — Project Management and Consultancy Services” in this document. Under the original development cooperation agreement and prior to the supplemental agreement becoming effective, we had been responsible for sales of properties in Riverside Hill Town. As a result, we had received sales proceeds of RMB26.0 million from this project as of December 31, 2006, RMB122.5 million as of December 31, 2007, RMB22.5 million as of December 31, 2008 and RMB17.4 million as of June 30, 2009.

During the Track Record Period, we received deposits from independent third parties for considering various business propositions related to the construction materials related business. After careful consideration, we decided not to pursue these business opportunities primarily because they are not related to our core competence in the property development business. As of June 30, 2009, we had fully settled the related payables due to the independent third parties.

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With respect to purchase consideration of subsidiaries of RMB545.6 million as of June 30, 2009, we subsequently paid with our internal funds approximately RMB146.8 million as of September 30, 2009. We intend to continue to use our internal funds to finance the remaining purchase consideration of subsidiaries of approximately RMB398.8 million as of September 30, 2009, of which approximately RMB271.9 million is expected to be settled by the end of 2009 and the remaining balance is expected to be settled in 2010.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended December 31,			Six months ended	
				June 30,	
	2006	2007	2008	2008	2009
	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)
				(unaudited)	
Net cash (used in)/generated					
from operating activities . . .	(27.9)	(1,243.5)	(1,986.9)	(1,399.0)	62.4
Net cash used in investing					
activities	(582.0)	(550.0)	(930.0)	(879.9)	(237.9)
Net cash generated from					
financing activities	893.6	2,861.4	1,982.2	1,190.5	231.1
Cash and cash equivalents at					
the end of the year/period . .	570.3	1,624.8	679.3	521.6	734.3

Operating activities

Net cash generated from operating activities in the six months ended June 30, 2009 was RMB62.4 million. Our net operating cash inflows in the six months ended June 30, 2009 were primarily attributable to (i) the net decrease in land use rights of RMB445.9 million resulting from delivery of properties in Jiangyin Lake View Place Phase 1, Xiangrui Garden and Mingcui Garden Phase 1, and (ii) the net decrease of RMB114.3 million in properties under development and completed properties held for sale primarily attributable to delivery of properties in Xiangrui Garden and Shenzhen Lake View Place Phases 4 and 5, partially offset by the development costs incurred in connection with Shangpin Garden and Jincui Garden. The cash inflow in the six months ended June 30, 2009 was partially offset by (A) the net increase in debtors, deposits and other receivables of RMB207.7 million mainly due to our land deposits made in relation to Guangzhou Jiangnan Boulevard for which we have entered into land grant contracts and were in process of obtaining land use rights certificates; (B) the net increase in restricted cash of RMB184.7 million primarily attributable to the increased restricted bank deposits, which were guaranteed for the benefit of note payables granted by the banks to the construction contractors of our property development; and (C) the net increase in prepayments for proposed development projects of RMB61.8 million in relation to our various land-related contractual arrangements.

We had net cash outflows from our operating activities of RMB1,399.0 million in the six months ended June 30, 2008 in contrast to net cash inflows from our operating activities of RMB62.4 million in the six months ended June 30, 2009. The increase in net cash generated from our operating activities

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was primarily due to the significantly increased proceeds from pre-sales of our properties and an decrease in our expenditure incurred in connection with our land acquisition and land-related contractual arrangements.

Net cash used in operating activities in 2008 was RMB1,986.9 million. Our net operating cash outflows in 2008 were primarily attributable to the following: (i) the net increase of RMB1,400.3 million in properties under development and completed properties held for sale (primarily due to the increased development costs in Mingcui Garden Phase 1, Xiangrui Garden, Shenzhen Lake View Place Phases 4–5, Lijing Harbor and Zhongyang Haomen Phase 1), offset by delivery of properties in Guangzhou Jinmao; (ii) the net increase in prepayments for proposed development projects of RMB708.0 million in relation to our various land-related contractual arrangements; (iii) the net decrease in other payables of RMB282.0 million primarily due to our payments to the independent third parties for their construction works for various projects; and (iv) the net decrease in advanced proceeds received from customers of RMB218.3 million primarily due to revenue recognition of sales proceeds upon the completion and delivery of the properties in Guangzhou Jinmao and Mocha Town Phase 7, which was partially offset by the advanced proceeds from pre-sales of Xiangrui Garden, Jiangyin Lake View Place Phase 1, Zhongyang Haomen Phase 1, Mingcui Garden Phase 1 and Shenzhen Lake View Place Phases 4 and 5. The cash outflow in 2008 was partially offset by (A) the increase in accrued construction costs of RMB568.6 million primarily due to an increase in property under development in Xiangrui Garden, Mingcui Garden Phases 1–3, Shenzhen Lake View Place Phases 2–5, Jiangyin Lake View Place Phase 1 and Lijing Harbor Phase 1; and (B) the net decrease in land use rights of RMB230.1 million resulting from delivery of properties in Guangzhou Jinmao, Mocha Town Phase 7, Mingcui Garden Phase 1 and Shenzhen Lake View Place Phases 3 and 4, partially offset by our acquisition of land use rights for Shanghai Shanhuwan Garden and Chengdu Shangmao Garden.

Net cash used in operating activities in 2007 was RMB1,243.5 million. Our net operating cash outflows in 2007 were primarily attributable to the following: (i) net increase of RMB907.2 million in our properties under development and completed properties held for sale (primarily due to the commencement of development of Mingcui Garden and Shenzhen Lake View Place Phase 3 in 2007); (ii) net increase in debtors, deposits and other receivables of RMB789.2 million, primarily due to the settlement of other receivables to third parties, which was offset by an increase in land deposits for the projects for which we received land grant contract or confirmation that we were selected as the winner of the land via listing-for-sale and were in process of obtaining the land use rights, including Changsha Lake View Place, and for the land acquisition arrangements through acquisition of equity interests in companies that hold the land use rights for certain parcels of land, including the acquisition of Jiangyin Taichang; (iii) net increase in prepayments for proposed development projects of RMB350.2 million for our various land-related contractual arrangements; and (iv) net increase of RMB276.7 million in the land use rights primarily resulting from obtaining the land use rights for Xiangrui Garden and Shangpin Garden, offset by delivery of Mocha Town Phases 5 and 6. The cash outflow in 2007 was partially offset by the increase in advanced proceeds received from customers of RMB600.2 million as a result of pre-sales of Mocha Town Phase 7, Shenzhen Lake View Place Phase 3 and Guangzhou Jinmao.

The increase in net cash used in our operating activities from RMB1,243.5 million in 2007 to RMB1,986.9 million in 2008 was primarily due to an increase in development costs which were in line with our enlarged scale of property development.

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Net cash used in operating activities in 2006 was RMB27.9 million. Our net operating cash outflows in 2006 were primarily attributable to the following: (i) net increase in debtors, deposits and other receivables of RMB441.1 million mainly due to an increase in land deposits in relation to projects for which we have entered into land grant contracts and are in the process of obtaining land use rights certificates (including Mingcui Garden, Xiangrui Garden, Wanzai and Shangpin Garden); and (ii) net increase in prepayments for proposed development projects of RMB373.8 million for our various land-related contractual arrangements. The cash outflow in 2006 was partially offset by (A) net decrease in properties under development and completed properties held for sale of RMB326.6 million (was primarily due to delivery of properties that were pre-sold in 2005, including Shenzhen Kaisa Center and Woodland Height Phase 8); (B) net increase in other payables of RMB214.4 million, as a result of an increase in amounts due to third parties; and (C) net decrease in land use rights of RMB81.6 million resulting from the delivery of properties in Mocha Town Phases 3 and 4 and Shenzhen Lake View Place Phase 1, offset by the addition of land use rights for Guangzhou Kaisa Plaza.

The increase in net cash used in our operating activities from RMB27.9 million in 2006 to RMB1,243.5 million in 2007 was primarily due to an overall increase in the costs incurred in connection with our land acquisition activities during the year, including the land acquisition arrangements for Changsha Lake View Place, and the acquisition of equity interests in Jiangyin Taichang, and the acquisition of land use rights for Xiangrui Garden and Shangpin Garden, as described above.

Investing activities

During the Track Record Period, our cash inflows from investing activities reflected primarily amounts due from related companies, interest received on our bank deposits, proceeds from disposal of subsidiaries and proceeds from disposal of property and equipment. Our cash outflows from investing activities reflected investments in associated companies, acquisition of subsidiaries (net of cash acquired) and purchase of property and equipment.

In the six months ended June 30, 2009, our net cash used in investing activities was RMB237.9 million, which was primarily attributable to (i) the acquisition of subsidiaries, net of cash acquired, of RMB159.9 million, which was mainly due to our acquisition of Shenzhen Jinshawan, which owns and operates the Keyu Golden Bay Resort; and (ii) settlement of RMB63.8 million for acquisition of subsidiaries in prior years in connection with our land acquisitions through equity interest acquisitions of companies that hold land interest for the target land. For more detail of our acquisitions of subsidiaries, see the section entitled “History, Reorganization and Group Structure” in this document.

In 2008, our net cash used in investing activities was RMB930.0 million, which was primarily attributable to (i) acquisition of subsidiaries, net of cash acquired, of RMB824.7 million and (ii) settlement of RMB68.3 million for acquisition of subsidiaries in prior years, both of which were mainly due to our acquisitions of certain subsidiaries in connection with our land acquisitions, as disclosed in the section entitled “History, Reorganization and Group Structure” in this document.

In 2007, our net cash used in investing activities was RMB550.0 million, which was primarily attributable to acquisition of subsidiaries, net of cash acquired, of RMB1,029.6 million, which was mainly due to acquisition of certain subsidiaries which own land interests, as disclosed in the section entitled “History, Reorganization and Group Structure” in this document. This outflow was partially

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offset by the following factors: (A) proceeds from the disposal of subsidiaries of RMB86.6 million in connection with the preparation for the Reorganization and (B) a net decrease in amount due from related companies of RMB391.7 million.

In 2006, our net cash used in investing activities was RMB582.0 million, which was primarily due to (i) the increase in amount due from related companies of RMB240.1 million; (ii) acquisition of subsidiaries, net of cash acquired, of RMB223.2 million; and (iii) investment of RMB102.2 million in two associated companies, namely Shenzhen Jiachangxin Investment and Shenzhen Jiachangxin Property.

Financing activities

During the Track Record Period, our cash generated from financing activities consisted primarily of bank borrowings to finance our property development, advances from related parties and proceeds from the long-term loan with detachable warrants, proceeds from financial derivatives, and proceeds from the issue of share capital. Our cash used in financing activities consisted of repayment of borrowings, amounts due to related companies and amounts due to an associated company. As a result of the restructuring of the long-term loan with detachable warrants, we are obligated to repay the total principal amount of the Loan of US\$200 million with an interest rate of 8.8% per annum during the period from October 27, 2009 to December 1, 2010 according to the payment schedule set forth in the relevant amendment agreement and subject to certain prepayment provisions. See “— Indebtedness — Long-term loan with detachable warrants” and the section entitled “History, Reorganization and Group Structure — Strategic Investments” in this document.

In the six months ended June 30, 2009, our net cash generated from financing activities was RMB231.1 million, which was primarily due to net proceeds of RMB1,622.6 million from borrowings for the development of our properties, partially offset by repayment of borrowings of RMB1,390.0 million.

In 2008, our net cash generated from financing activities was RMB1,982.2 million, which was primarily attributable to net proceeds of RMB3,914.0 million from borrowings to finance our property development, partially offset by repayment of borrowings of RMB1,932.6 million.

In 2007, our net cash generated from financing activities was RMB2,861.4 million, which was primarily due to (i) net proceeds of RMB1,406.1 million from borrowings for the development of our properties; (ii) net proceeds from the long-term loan with detachable warrants of RMB1,353.2 million; (iii) net proceeds of RMB99.3 million from financial derivatives, and (iv) net proceeds of RMB1,490.8 million from the issuance of share capital to the Investor Shareholders. This inflow was partially offset by (i) repayment of borrowings of RMB577.0 million; (ii) settlement of amounts due to related parties of RMB821.7 million; and (iii) settlement of amounts due to an associated company of RMB101.8 million.

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In 2006, our net cash generated from financing activities was RMB893.6 million, which was primarily due to the net proceeds of RMB1,518.1 million from borrowings for the development of our properties and increase in amounts due to an associated company of RMB101.8 million, which was in relation to the acquisition of associated company during the year. This was partially offset by repayment of borrowings of RMB561.6 million and settlement of amounts due to related parties of RMB164.7 million.

Net current assets

The following table sets out our current assets, current liabilities and net current assets as of September 30, 2009:

	As of September 30, 2009
	(RMB in thousands) (unaudited)
Current assets	
Land use rights	4,488,179
Properties under development	2,719,926
Completed properties held for sale	1,254,630
Debtors, deposits and other receivables	1,743,894
Prepayments for proposed development projects	1,207,258
Prepaid taxes	180,915
Restricted cash	434,830
Cash and cash equivalents	1,128,952
Total	<u>13,158,584</u>
Current liabilities	
Advanced proceeds received from customers	1,397,117
Accrued construction costs	1,124,991
Income tax payable	312,432
Borrowings	2,915,569
Long-term loan with detachable warrants	1,347,747
Financial derivatives	123,194
Other payables	752,904
Amounts due to related parties	81
Total	<u>7,974,035</u>
Net current assets	<u><u>5,184,549</u></u>

Capital commitment

Commitments for property development expenditure

We incur capital expenditure primarily for our property development. Our commitments for property development expenditure as of December 31, 2006, 2007 and 2008 and June 30, 2009 were RMB1,933.0 million, RMB5,585.8 million, RMB7,300.7 million and RMB4,591.7 million respectively. The significant increase in our commitments for property development expenditure as of December 31, 2007, compared with our commitments as of December 31, 2006, was primarily due to our commitments

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for land-related contractual arrangements. Our commitments for property development expenditures as of December 31, 2008 further increased to RMB7,300.7 million, primarily due to (i) our commitments for the construction costs, which were in line with our enlarged scale of property development; and (ii) our commitments arising from land-related contractual arrangements. Our commitments for property development expenditure as of June 30, 2009 decreased to RMB4,591.7 million primarily because we terminated certain land-related contractual arrangements pursuant to the respective termination agreements with the counterparties. For more detail of our land-related contractual arrangements, see the section entitled “Business — Other Contractual Arrangements” in this document.

The following table sets forth the commitments for our property development expenditure as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Contracted but not provided for.	1,933,025	5,585,773	7,300,651	4,591,724

We expect to finance the outstanding capital commitment of RMB4,591.7 million as of June 30, 2009 through our internal funds, bank borrowings, the Loan and proceeds from pre-sales and sales of properties. We expect that approximately RMB1,606.2 million, RMB1,344.0 million and RMB736.8 million of the outstanding capital commitment as of June 30, 2009 will be paid by December 31, 2009, 2010 and 2011, respectively. The remaining RMB904.7 million is expected to be paid by December 31, 2013. As our payment obligations are conditional upon the occurrence of certain events as prescribed in the relevant contractual documents, the expected payment schedule above with respect to our total outstanding capital commitment as of June 30, 2009 may be adjusted as necessary.

Operating lease commitments

The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
No later than one year	722	1,990	9,617	12,785
Later than one year and not later than five years	186	2,941	9,950	11,829
Later than five years	—	—	1,315	136
Total	<u>909</u>	<u>4,931</u>	<u>20,882</u>	<u>24,750</u>

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our operating lease commitments were RMB0.9 million, RMB4.9 million, RMB20.9 million and RMB24.8 million, respectively. The increase in the operating lease commitments as of December 31, 2007, as compared with our operating lease commitments as of December 31, 2006, was primarily due to our outstanding commitment of RMB1.3 million no later than one year and our outstanding commitment of RMB2.8 million between one year to five years, both of which are for a long-term lease we entered into with respect to an office premises in Chengdu, Sichuan Province. The increase in the operating lease commitments as of

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December 31, 2008, as compared with those as of December 31, 2007, was primarily due to the long-term leases we entered into with respect to our office premises in Shanghai, Shenzhen and Hong Kong. The further increase in the operating lease commitments as of June 30, 2009, as compared with those as of December 31, 2008, was primarily attributable to a long-term lease we entered into with respect to the additional office premises in Hong Kong.

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 had 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. 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. Our gearing ratio, as of December 31, 2006, 2007 and 2008 and June 30, 2009, was 74%, 53%, 65% and 63%, respectively. 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.

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

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2006, 2007, 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 (including the Loan of US\$200 million and the accrued interests at an interest rate of 8.8% per annum) for the 12 months from the date of this document.

Working capital

As of December 31, 2006, 2007, 2008 and June 30, 2009, our aggregate cash and cash equivalents amounted to RMB570.3 million, RMB1,624.8 million, RMB679.3 million and RMB734.3 million, respectively, which were subject to PRC foreign exchange controls had any such cash and cash equivalents been exchanged into foreign currencies or remitted outside of China. As of September 30, 2009, we had cash and bank balances of RMB1,563.8 million (including restricted cash of RMB434.8 million) and unutilized available banking facilities in the aggregate of RMB410.0 million.

INDEBTEDNESS

Borrowings

Our borrowings are denominated in Renminbi, which is also our functional currency as we principally engage in business operations in the PRC. The following table sets forth our outstanding borrowings 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)
Borrowings included in non-current liabilities:					
Bank borrowings — secured . .	291.0	600.0	1,232.8	2,650.8	3,187.8
Bank borrowings — unsecured	786.0	760.0	1,484.6	—	—
Other borrowings — secured . .	274.5	274.5	274.5	—	—
	<u>1,351.5</u>	<u>1,634.5</u>	<u>2,991.9</u>	<u>2,650.8</u>	<u>3,187.8</u>
Borrowings included in current liabilities:					
Bank borrowings — secured . .	270.0	600.0	990.0	814.6	1,246.4
Bank borrowings — unsecured	740.0	976.0	1,210.0	1,684.6	1,394.6
Other borrowings — secured . .	—	—	—	274.5	274.5
	<u>1,010.0</u>	<u>1,576.0</u>	<u>2,200.0</u>	<u>2,773.7</u>	<u>2,915.5</u>

Our outstanding bank and other borrowings amounted to RMB2,361.5 million, RMB3,210.5 million, RMB5,191.9 million and RMB5,424.5 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. The increase in our bank and other borrowings during the Track Record Period was primarily due to additional funds needed for our acquisition of land reserves for future development

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(excluding payments for land premiums) and financing new development projects. We used the proceeds from these borrowings to finance our property development and for corporate and working capital purposes. For 2006, 2007 and 2008 and the six months ended June 30, 2009, the effective interest rate was approximately 6.1%, 6.7%, 7.9% and 5.9%, respectively, for our bank borrowings, included in non-current liabilities and approximately 5.8%, 6.2%, 7.4% and 5.7%, respectively, for our bank borrowings, which was included in current liabilities; and approximately 8.0%, 8.0%, 8.0% and 8.0%, respectively, for other borrowings. Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. In 2006, the PBOC raised the benchmark one-year lending rate twice from 5.58% to 6.12%. In 2007, the PBOC increased the one-year lending rate six times from 6.12% to 7.47%. Beginning in 2008, the PBOC decreased the benchmark one-year lending rate five times, from 7.47% to 5.31%. The benchmark one-year lending rate applicable in June 2009 was 5.31%. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments.

Our Directors confirm that we have not experienced any delay or default in repayment of bank borrowings during the Track Record Period.

Commercial banks in China typically require guarantees or security interests for our borrowings. As of December 31, 2006, 2007 and 2008 and June 30, 2009, RMB561.0 million, RMB1,200.0 million, RMB2,222.8 million and RMB3,372.8 million, respectively, of our outstanding bank borrowings were jointly secured by certain properties and land use rights owned by us. As of June 30, 2009, RMB92.6 million of our outstanding bank borrowings were secured by our cash in bank accounts. As of the Latest Practicable Date, guarantees for our borrowings by certain related parties had all been released. Other borrowings from third parties are secured, interest-bearing at 8%, with a maturity date in 2010.

The other borrowings arose from our certain financing arrangements. In 2004 and 2005, we sold 1,804 retail units in Phase 6 of our Woodland Height project to 1,443 independent third-party purchasers, who hold put options under the relevant sale and purchase agreements. The exercise price of the put options was the purchase price set forth in the relevant sale and purchase agreements and there was no option redemption provision in these sale and purchase agreements and the relevant supplemental agreements. The option exercise period is set from December 1, 2009 to March 1, 2010. We also entered into a cooperation agreement with each purchaser of the relevant retail units, under which each purchaser agreed to entrust us to provide leasing management services for 10 years from 2005 to 2015 and we guaranteed to such purchaser an annual return of 8% on the purchase price of these units for the same period. Pursuant to the relevant cooperation agreements, we have paid each purchaser a lump sum amount equal to three-year return at 8% annual rate on the unit purchase price and will make quarterly payments at the same 8% annual rate for the subsequent seven years. If the put option is exercised by a purchaser, our leasing management services under the relevant cooperation agreement will be terminated. If the put option is not exercised during the option exercise period, our leasing management services will continue to be in effect until the expiration of the 10-year period in 2015. Shenzhen Kaisa Property acted as a guarantor with respect to the annual return to each purchaser. The sale of these retail units did not meet certain conditions for revenue recognition in accordance with Hong Kong Accounting Standard 18 as the significant risks of the ownership were not passed on to the purchasers of the units. As a result, the transactions as described above did not give rise to revenue recognition although legal title to these units were transferred to the purchasers of the retail units. The asset values of these units, with an aggregate amount of RMB71.4 million, were recorded at cost as

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“completed properties held for sale” as of each of the balance sheet dates during the Track Record Period. These transactions, as a whole, would be regarded as the financing arrangements before the expiration of the put option and recognized as other borrowings with an interest charged at 8% per annum. The sale proceeds from the retail units would be either returned to the purchasers upon their exercise of the put options from December 1, 2009 to March 1, 2010, or be recognized as our revenue after the expiration of the put options on March 2, 2010. Before entering into these arrangements, we engaged an independent third-party property valuer to perform a valuation of the retail units in Woodland Height Phase 6 in August 2004, and also conducted research on the comparable properties in Longgang district. Based on the valuation of the units by the property valuer and our research, we determined a reasonable selling price per sq.m. for the retail units. Our Directors are of the view that the retail units were sold at the then prevailing market value. We entered into these financing arrangements for the following purposes: (i) increasing our cash inflows in 2004 and 2005, (ii) expediting 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 believe to have long-term potential for leasing. The rental income we received from these retail units, however, had not covered our payment of the guaranteed 8% annual rate of return to the purchasers of these units during the Track Record Period. Our rental income derived from leasing these retail units were 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. A 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 payments of the guaranteed 8% annual rate of return. As of June 30, 2009, all of the retail units were rented. According to our PRC legal adviser, the financing arrangement as described above is legal, valid, binding and enforceable, and is in compliance with relevant PRC laws and regulations. Each of Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Kwok Chun Wai has entered into a deed of indemnity in favor of us to provide indemnities against, among other things, any losses, damages, penalties and fines which might be payable by us if these financing arrangements are deemed not in compliance with any applicable laws and regulations. Considering our PRC legal adviser’s opinion and the indemnity given by each of Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Kwok Chun Wai above, our Directors are of the view that, if these financing arrangements are deemed not in compliance with any applicable laws and regulations, the associated risks are not material to our business, results of operations and financial condition. We do not intend to enter into financing arrangements of the same or a similar nature with respect to our other properties in future. See the section entitled “Risk Factors — Risks Relating to Our Business — We may suffer losses from certain financing arrangements we entered into, under which we guaranteed an annual return for a period of 10 years” in this document.

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Our bank borrowings are primarily used for our property developments. When applying the bank loans to finance a project, we refer to our property development schedule for the project to determine the maturity date of such loans. During the Track Record Period, most of our property developments were residential projects that were completed or expected to be completed within two years. The table below sets forth the maturity profiles of our borrowings included in non-current liabilities 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)
Between one and two years . . .	990.0	1,360.0	2,619.1	1,672.8	1,436.6
Between two and five years . .	361.5	274.5	372.8	685.0	1,212.2
Over five years	—	—	—	293.0	539.0
Total borrowings	1,351.5	1,634.5	2,991.9	2,650.8	3,187.8

As of September 30, 2009, we had total bank borrowings in an aggregate amount of RMB5,828.8 million, which comprised RMB2,641.0 million included in the current liabilities and RMB3,187.8 million included in the non-current liabilities. As of September 30, 2009, we had the Loan with the total outstanding amount of RMB1,347.7 million. In addition, as of September 30, 2009, we had available banking facilities of an aggregate amount of approximately RMB6,238.8 million, of which approximately RMB410.0 million were unutilized.

Long-term loan with detachable warrants

On August 24, 2007 (“First Drawdown Date”), we entered into a 36-month US\$25,000,000 term loan. On September 12, 2007 (“Second Drawdown Date”), the terms of the Loan were amended and restated whereby (i) the amount of the Loan was increased to US\$200,000,000 and (ii) two tranches of detachable warrants were issued to the Warrantholders (other than Forum) (the agreements regarding the loan and the detachable warrants are collectively referred to as “Loan Plus Warrant Agreements”). The Loan was amended on October 24, 2009.

For information related to the Loan and the two tranches of warrants, see the subsections entitled “Senior secured term loan facility” and “Detachable Warrants” in the section entitled “History, Reorganization and Group Structure — Strategic Investments” in this document.

The net proceeds received from the Loan Plus Warrant Agreements have been split among an equity component, a liability component, derivative financial instruments and a number of embedded financial derivatives as follows:

- Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives. The interest charged for the year is calculated by applying an effective interest rate of approximately 13.5% per annum to the liability component since the Loan was issued. Interest of 8.8% per annum is paid in accordance to the Loan Plus Warrant Agreements.

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- Financial derivatives comprise of:
 - (a) Derivative financial instruments represent the fair value of Tranche B Warrant.
 - (b) Embedded derivatives, comprising:
 - (i) The fair value of the option of the Lenders to require our Company to prepay a portion of the loan amount in the case of QIPO;
 - (ii) The fair value of the option of the Lenders to require our Company to prepay the entire loan amount in the event of the change of control and an initial public offering other than QIPO;
 - (iii) The fair value of the option of our Company to prepay the loan amount on any interest payment date after the QIPO; and
 - (iv) The fair value of the option of our Company on additional rights of prepayment and cancellation.
- Equity component represents Tranche A Warrants.

The movements of the liability and derivative components of the Loan Plus Warrant Agreements are set out as below:

	Liability component	Derivative component
	(RMB millions)	(RMB millions)
Amount initially recognized	1,353.2	99.3
Interest charged.	61.9	—
Interest paid	(40.6)	—
Change in fair value	—	18.6
Exchange difference.	(16.5)	(1.2)
At December 31, 2007	1,358.0	116.7
Interest charged.	179.3	—
Interest paid	(126.9)	—
Change in fair value	—	(27.2)
Exchange difference.	(104.9)	(9.0)
At December 31, 2008	1,305.5	80.5
Interest charged.	90.5	—
Interest paid/payable	(63.4)	—
Charge in fair value.	—	19.9
Exchange difference.	1.1	0.1
At June 30, 2009.	<u>1,333.7</u>	<u>100.5</u>

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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 Loan Plus Warrant Agreements. We have obtained the waiver from the Lenders with respect to breach of these terms and covenants. For more details on the relevant breaches and waiver, see the section entitled “History, Reorganization and Group Structure — Strategic Investments — Breach of certain covenants and waiver” in this document.

In accordance with the waiver from the Lenders and the relevant amendment agreement, certain terms and covenants of the Loan Plus Warrant Agreements have been amended and the key changes are summarized as follows:

- the maturity date of the Loan has been extended to December 1, 2010;
- our Company must repay the Loan on the following dates in the following amounts:

<u>Repayment Date</u>	<u>Repayment Installment</u>
October 27, 2009	US\$30,000,000
December 31, 2009	US\$20,000,000
March 31, 2010	US\$14,000,000
June 30, 2010	US\$14,000,000
September 30, 2010	US\$14,000,000
December 1, 2010	the outstanding balance of the Loan in full;

- the prepayment right by the Lenders at the date falling 28 months after August 24, 2007 has been eliminated. Instead, if no QIPO occurs by December 1, 2010, the final maturity date of the Loan, our Company agreed to pay to each Lender an amount which would yield an internal rate of return (as described below) of such Lender’s participation in the Loan in whole excluding any fees previously paid;
- the internal rate of return applicable to (i) a change of control event, (ii) nonoccurrence of QIPO by December 1, 2010, and (iii) an IPO that does not meet the requirements of QIPO (in this case, if our Company requests an amendment to the Loan Plus Warrant Agreements and such amendment takes effect on the date when our Shares are listed) has been amended as follows:
 - in respect of the period from (and including) August 24, 2007 to (and including) February 28, 2009, an internal rate of return is 15% per annum; and
 - in respect of the period from (and including) March 1, 2009 to (and including) December 1, 2009, an internal rate of return is 17% per annum;
- our Company shall make a prepayment of US\$50,000,000 to the Lenders on the listing date of an initial public offering on the Stock Exchange, Singapore Stock Exchange, London Stock Exchange, NASDAQ, New York Stock Exchange or such other internationally recognized securities exchanges;
- the expiry date of both tranches of the Warrants has been extended to December 1, 2010. The predetermined strike price of Tranche B Warrants has been eliminated; and

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- our Company has paid to the Lenders US\$500,000 as the consent fee for amendments to the Loan Plus Warrant Agreements.

Given the unprecedented nature of the recent global economic slowdown and financial crisis, the measures taken to ensure our ongoing compliance with the financial covenants and our endeavor to effectively manage our future cash flows and reduce our exposure to unexpected adverse changes in economic conditions through a number of alternative plans, we do not expect any future default of the financial and non-financial covenants to occur under the Loan Plus Warrant Agreements or other loan agreements.

For more details on the long-term loan with detachable warrants, including our breach of certain financial covenants and non-financial covenants under the Credit Agreement, see the section entitled “History, Reorganization and Group Structure — Strategic Investments” in this document.

Gearing ratio

We monitor capital on the basis of the gearing ratio. Gearing ratio equals the net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The following table sets out our gearing ratios as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)
Total borrowings	2,361.5	3,210.5	5,191.9	5,424.5
Long-term loan with detachable warrants	—	1,358.0	1,305.5	1,333.7
Less: cash and cash equivalents.	(570.3)	(1,624.8)	(679.3)	(734.3)
Net debt.	1,791.3	2,943.8	5,818.2	6,024.0
Total equity	643.0	2,609.1	3,101.5	3,469.4
Total capital	2,434.3	5,552.9	8,919.7	9,493.4
Gearing ratio.	74%	53%	65%	63%

In 2007, the decrease in our gearing ratio was primarily attributable to the significant increase in our total capital in 2007 as a result of the investment, and the increased utilization of our internal funds in financing our property development, while our net debt increased in 2007 in accordance with our enlarged scale of property development. In 2008, the increase in our gearing ratio was primarily attributable to an increase in our bank borrowings from 2007 to 2008 primarily for financing the construction of our properties, and the greater increase in cash outflow primarily for financing the development of our new projects, as compared to the increase in the proceeds from pre-sales of our properties in 2008. In the six months ended June 30, 2009, the decrease in our gearing ratio was primarily attributable to our increased total equity as a result of an increase in our retained earnings.

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Current ratio

Current ratio is calculated as current assets divided by current liabilities. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our current ratio was 1.38, 2.06, 1.68 and 1.60, respectively. The significant increase in our current ratios from December 31, 2006 to December 31, 2007 was primarily due to the increase in certain current assets, including land use rights, properties under development and debtors, deposits and other receivables, our increased utilization of long-term borrowings and loans, and our internal funds for financing our property development. The decrease in our current ratio from December 31, 2007 to December 31, 2008 was primarily due to the greater increase in current liabilities compared with current assets. The increase in current liabilities as of December 31, 2008 were primarily attributable to the long-term loan with detachable warrants, which was classified into current liabilities before the completion of our restructuring of this loan in October 2009. For more detail, see “— Indebtedness — Long term loan with detachable warrants.” Our current ratio as of December 31, 2008 and June 30, 2009 remained largely constant.

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 for 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 for 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 were equal to RMB1,267.5 million, RMB873.9 million, RMB1,629.0 million and RMB2,444.1 million, respectively. The fluctuation of 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. Our financial guarantees as of December 31, 2006 consisted primarily of outstanding guarantees for mortgage loans of the purchasers of the properties in our Woodland Height Phase 8, Mocha Town Phase 4, Shenzhen Kaisa Center and Shenzhen Lake View Place Phase 1. Our financial guarantees as of December 31, 2007 consisted primarily of outstanding guarantees for mortgage loans of the purchasers of the properties in our Mocha Town Phase 6 and Shenzhen Lake View Place Phase 2. Our financial guarantees as of December 31, 2008 consisted primarily of outstanding guarantees for

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mortgage loans of the purchasers of the properties in Mocha Town Phase 7, Mingcui Garden Phase 1, Jiangyin Lake View Place Phase 1, Xiangrui Garden and Shenzhen Lake View Place Phases 4 and 5. Our financial guarantees as of June 30, 2009 consisted primarily of outstanding guarantees for mortgage loans of the purchasers of the properties in Xiangrui Garden, Mingcui Garden Phases 1 and 2, Shenzhen Lake View Place Phases 4 and 5, Jiangyin Lake View Place Phase 1, Mocha Town Phase 7 and Dijingwan. Our Directors consider that if 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 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.

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the financial guarantees set forth above, we have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

MARKET RISKS

We are, in the normal course of business, exposed to market risks primarily relating to fluctuations in interest rates, commodity prices, foreign exchange rates and the inflation rate.

Interest rate risk

We are exposed to interest rate risks, primarily relating to our bank borrowings and long-term loan with detachable warrants subject to negotiation on annual basis. We undertake debt obligations to support our property development and general working capital needs. Upward fluctuations in interest rates increase the cost of our financing. Fluctuations in interest rates can also lead to fluctuations in the fair value of our debt obligations. In 2006, the PBOC raised the benchmark one-year lending rate twice from 5.58% to 6.12%. In 2007, the PBOC increased the one-year lending rate six times from 6.12% to 7.47%. Beginning in 2008, the PBOC decreased the benchmark one-year lending rate five times, from 7.47% to 5.31%. The benchmark one-year lending rate applicable in June 2009 was 5.31%. Our income and operating cash flows are substantially independent of changes in market interest rates. We do not

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currently use any derivative instruments to modify the nature of our debt so as to manage our interest rate risk. However, our management will consider hedging significant interest rate exposure should the need arise.

An increase in interest rates may also adversely affect our prospective purchasers’ ability and cost to obtain financing and depress the overall housing demand in China. On September 27, 2007, the PBOC raised the minimum property mortgage loan rate over property mortgages with a term of over five years to 7.83%, 27 basis points higher than the previously existing minimum mortgage loan rate. On October 27, 2008, the PBOC reduced the minimum mortgage loan interest rate to 70% of the relevant PBOC benchmark interest rate. As of June 30, 2009, the minimum property mortgage loan interest rate for property mortgages with a term over five years was 4.16%.

Other price risk

We are exposed to financial derivatives price risks arising from the derivative financial instruments and embedded financial derivatives. The fair values of these instruments were calculated by an independent appraiser.

Commodities risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. The purchase cost for such materials are generally accounted for as part of the contractor fees pursuant to our arrangements with the relevant contractors. We satisfy the remaining requirements for these materials through our construction and other contractors. Accordingly, rising prices for construction materials will affect our construction costs in the forms of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials have a significant impact on our results of operations.

Foreign exchange risk

Substantially all of our revenues and expenses are denominated in Renminbi. A depreciation of Renminbi would adversely affect the value of any dividends we pay to our offshore Shareholders. In addition, we are subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities such as cash and cash equivalent and long-term loan which are denominated in a currency that is not Renminbi. The majority of our foreign currency transactions and balances are denominated in Hong Kong dollars and U.S. dollars. We currently do not have a foreign currency hedging policy. However, we may choose to use hedging transactions to reduce our exposure to foreign exchange rate fluctuations in the future. Because Renminbi is not freely convertible, our ability to reduce the foreign exchange risk is limited. You should refer to “Risk Factors — Risks Relating to China — Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries” in this document for additional risk disclosure.

Inflation

China has not experienced significant inflation or deflation in recent years. According to the National Bureau of Statistics of China, China’s overall national inflation rate, as represented by the general consumer price index, was approximately 1.5% in 2006, 4.8% in 2007 and 5.9% in 2008. China

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experienced deflation of 1.1% in the six months ended June 30, 2009. Recent inflation and deflation have not materially affected our business. Deflation could negatively affect our business as it might be a disincentive for prospective property purchasers to make a purchase.

PROFIT FORECAST

We forecast that, on certain bases, profits attributable to equity holders of our company for the year ending December 31, 2009 is unlikely to be less than RMB[●] million, or RMB[●] million excluding the change in fair value of investment properties and change in fair value of Detachable Warrants.

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.

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 ended December 31, 2009:

Project	Location	Project phase	Total GFA or estimated total GFA	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	67,446	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.

DIVIDENDS AND DISTRIBUTABLE RESERVES

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

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profit, realized or unrealized, or from any reserve set aside from profits which our Directors determine 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 that 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) presently 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 Board has 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.

Distributable Reserves

As of June 30, 2009, our reserves available for distribution to our equity holders amounted to approximately RMB3,278.9 million.

PROPERTY INTERESTS AND PROPERTY VALUATION

Our property interests, including the interests in properties that are attributable to us, as valued by Savills Valuation and Professional Services Limited, an independent property valuer, as of September 30, 2009 was RMB21,402.6 million. There was a net revaluation surplus, representing the excess market value of the properties over their book value as of June 30, 2009 (after adjusting for units sold during the period from January 1 to September 30, 2009).

For further details of our property interests and the text of the letter and valuation certificates of these property interests prepared by Savills Valuation and Professional Services Limited, see the Property Valuation Report contained in Appendix IV to this document.

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The reconciliation of the valuation of the interests in properties attributable to us and such property interests in our consolidated balance sheets as of June 30, 2009 is set forth below:

	(RMB in thousands)
Net book value as of June 30, 2009	
Property and equipment	56,550
Land use right.	4,642,641
Properties under development	2,707,982
Completed properties held for sale.	988,730
Investment properties	<u>1,570,150</u>
	9,966,053
Movement for the period from July 1, 2009 to September 30, 2009 ⁽¹⁾	<u>145,304</u>
Net book value as of September 30, 2009	10,111,357
Valuation surplus	<u>11,291,243</u>
Valuation as of September 30, 2009	<u><u>21,402,600</u></u>

Note:

(1) Movement for the period from July 1, 2009 to September 30, 2009 mainly represented the costs incurred for construction of properties under development, offset by sales of properties, depreciation and amortization.

NO MATERIAL CHANGE

Except as disclosed in this document, we confirm that there has not been any material change in our financial or trading position since June 30, 2009.

FUTURE PLANS

FUTURE PLANS

We will continue to adopt our current business strategies as set out in the section entitled “Business — Our Business Strategies” in this document. We will continue to reinforce our brand in the Pearl River Delta region and further expand our operations into select strategic cities in other regions with high economic growth potential in China, including Chengdu in the Chengdu-Chongqing region, Changsha in the Central China region and Shanghai and Jiangyin, both in the Yangtze River Delta region. We plan to pursue further geographical diversification through expansion into the Pan-Bohai Bay Rim and other high-growth areas in China.

We also intend to increase our holdings of commercial properties that we develop for long-term investment purposes so as to enhance the overall value and diversification of our property portfolio and to increase the proportion of our recurring rental income.

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the Company’s reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince’s Building
Central, Hong Kong

[date]

[DRAFT]

The Directors
Kaisa Group Holdings Ltd.

[●]

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Kaisa Group Holdings Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out in Sections I to III below, for inclusion in [●]. The Financial Information comprises the consolidated balance sheets of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 and the balance sheets of the Company as at December 31, 2007 and 2008 and June 30, 2009, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Cayman Islands on August 2, 2007 as an exempted company with limited liability under the Companies Law (2009 Revision) (as consolidated and revised from time to time) of the Cayman Islands. Pursuant to a group reorganisation as described in note 1 of Section II headed “Group reorganisation” below, which was completed in December 2007, the Company became the holding company of the subsidiaries comprising the Group (the “Reorganisation”).

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All of these companies are private companies.

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All companies comprising the Group have adopted December 31 as their financial year end date. No audited financial statements have been prepared by the Company as there is no statutory audit requirement and it has not involved in any significant business transactions since its date of incorporation other than the Reorganisation. Details of the financial statements of the companies comprising the Group that are subject to audit and the names of the respective auditors are set out in note 1 of section II below.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRS.

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended June 30, 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in note 2 of Section II below which are in conformity with HKFRS.

Reporting accountants’ responsibility

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you.

For the financial information for the six months ended June 30, 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A

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review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at December 31, 2007 and 2008 and June 30, 2009 and of the state of affairs of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 and of the Group’s results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended June 30, 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section II below which are in conformity with HKFRS.

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I. FINANCIAL INFORMATION

The following is the Financial Information of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 and for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009:

(a) Consolidated Balance Sheets

	Note	December 31,			June 30,
		2006	2007	2008	2009
		RMB’000	RMB’000	RMB’000	RMB’000
ASSETS					
Non-current assets					
Property and equipment	6	43,274	45,520	76,692	90,850
Investment properties	7	482,060	518,560	1,278,400	1,570,150
Land use rights	8	24,572	23,822	23,248	22,947
Associated companies	9	102,135	—	—	—
Deferred income tax assets	21	8,520	18,318	91,122	96,146
		<u>660,561</u>	<u>606,220</u>	<u>1,469,462</u>	<u>1,780,093</u>
Current assets					
Land use rights	8	1,225,577	3,194,562	4,816,003	4,619,694
Properties under development . .	11	1,022,693	2,134,897	2,375,017	2,707,982
Completed properties held for sale	12	173,844	171,176	1,279,655	988,730
Debtors, deposits and other receivables	13	1,156,296	1,858,045	1,318,719	1,535,187
Prepayments for proposed development projects	14	418,827	769,064	1,144,409	1,206,218
Prepaid taxes		16,634	25,960	108,821	138,819
Amounts due from related parties	37(c)	398,051	—	—	—
Restricted cash	15	88,995	84,400	105,836	290,505
Cash and cash equivalents	16	570,262	1,624,780	679,271	734,253
		<u>5,071,179</u>	<u>9,862,884</u>	<u>11,827,731</u>	<u>12,221,388</u>
Total assets		<u><u>5,731,740</u></u>	<u><u>10,469,104</u></u>	<u><u>13,297,193</u></u>	<u><u>14,001,481</u></u>

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		December 31,			June 30,
	Note	2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Share capital.	17	1	1	1	1
Share premium	17	—	1,490,772	1,490,772	1,490,772
Reserves	18	642,986	1,150,259	1,651,180	2,019,152
		642,987	2,641,032	3,141,953	3,509,925
Minority interest		—	(31,925)	(40,480)	(40,490)
Total equity.		642,987	2,609,107	3,101,473	3,469,435
LIABILITIES					
Non-current liabilities					
Borrowings.	19	1,351,525	1,634,525	2,991,925	2,650,800
Long-term loan with detachable warrants	20(e)	—	1,358,021	—	—
Deferred income tax liabilities.	21	69,542	78,667	156,239	226,588
		1,421,067	3,071,213	3,148,164	2,877,388
Current liabilities					
Advanced proceeds received from customers		774,017	1,374,187	1,155,926	1,124,576
Accrued construction costs		577,398	576,349	1,144,981	1,111,807
Income tax payable		58,973	223,227	277,969	265,188
Borrowings.	19	1,010,000	1,576,000	2,200,000	2,773,749
Long-term loan with detachable warrants	20(e)	—	—	1,305,546	1,333,658
Financial derivatives	20(e)	—	116,739	80,522	100,514
Other payables	22	421,666	919,272	880,776	944,830
Amounts due to related parties	37(c)	825,632	3,010	1,836	336
		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 and liabilities		5,731,740	10,469,104	13,297,193	14,001,481
Net current assets		1,403,493	5,074,100	4,780,175	4,566,730
Total assets less current liabilities					
		2,064,054	5,680,320	6,249,637	6,346,823

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(b) Balance Sheets

	Note	December 31, 2007 RMB’000	December 31, 2008 RMB’000	June 30, 2009 RMB’000
ASSETS				
Non-current assets				
Subsidiary	10	7	7	7
Deferred income tax assets	21	3,282	—	2,270
		<u>3,289</u>	<u>7</u>	<u>2,277</u>
Current assets				
Prepaid interest		20,280	20,455	—
Due from a subsidiary	10(b)	2,882,484	2,504,659	2,471,285
		<u>2,902,764</u>	<u>2,525,114</u>	<u>2,471,285</u>
Total assets		<u><u>2,906,053</u></u>	<u><u>2,525,121</u></u>	<u><u>2,473,562</u></u>
EQUITY				
Share capital	17	1	1	1
Share premium	17	1,490,772	1,490,772	1,490,772
Accumulated losses		(59,480)	(353,017)	(451,383)
Total equity		<u><u>1,431,293</u></u>	<u><u>1,137,756</u></u>	<u><u>1,039,390</u></u>
LIABILITIES				
Non-current liabilities				
Long-term loan with detachable warrants	20(e)	1,358,021	—	—
Deferred income tax liabilities	21	—	1,297	—
		<u>1,358,021</u>	<u>1,297</u>	<u>—</u>
Current liabilities				
Long-term loan with detachable warrants	20(e)	—	1,305,546	1,333,658
Financial derivatives	20(e)	116,739	80,522	100,514
		<u>116,739</u>	<u>1,386,068</u>	<u>1,434,172</u>
Total liabilities		<u><u>1,474,760</u></u>	<u><u>1,387,365</u></u>	<u><u>1,434,172</u></u>
Total equity and liabilities		<u><u>2,906,053</u></u>	<u><u>2,525,121</u></u>	<u><u>2,473,562</u></u>
Net current assets		<u><u>2,786,025</u></u>	<u><u>1,139,046</u></u>	<u><u>1,037,113</u></u>
Total assets less current liabilities . . .		<u><u>2,789,314</u></u>	<u><u>1,139,053</u></u>	<u><u>1,039,390</u></u>

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(c) Consolidated Statements of Comprehensive Income

	Note	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(unaudited)	
Revenue	5	2,398,660	2,239,360	3,110,446	1,287,736	2,473,732
Cost of sales	24	(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	23	3,134	10,422	(116,216)	90,074	(482)
Selling and marketing costs	24	(83,786)	(59,346)	(151,821)	(68,169)	(70,174)
Administrative expenses	24	(81,518)	(157,243)	(165,721)	(85,568)	(99,389)
Change in fair value of investment properties	7	231,742	36,500	302,557	575,369	281,397
Change in fair value of financial derivatives	20(e)	—	(18,642)	27,221	(25,646)	(19,925)
Operating profit		641,748	785,550	763,112	891,960	691,051
Finance income	25	12,576	9,029	7,243	4,660	1,792
Finance costs	25	(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	28	(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
Earnings per share for profit attributable to equity holders of the Company during the year/period (expressed in RMB per share)	29	Not applicable	47,115	46,083	58,187	33,853
Profit for the year/period		493,342	483,370	500,913	632,465	367,962
Other comprehensive income						
Currency translation differences		697	23,904	—	—	—
Total comprehensive income for the year/period		494,039	507,274	500,913	632,465	367,962
Total comprehensive income attributable to:						
Equity holders of the Company		494,039	507,273	500,921	632,469	367,972
Minority interest		—	1	(8)	(4)	(10)
		494,039	507,274	500,913	632,465	367,962

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(d) Consolidated Statements of Changes In Equity

	Capital and reserves attributable to equity holders of the Company					
	Share capital	Share premium	Reserves	Total	Minority interest	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(note 17)	(note 17)	(note 18)			
Balance as at January 1, 2006	1	—	148,947	148,948	—	148,948
Profit for the year	—	—	493,342	493,342	—	493,342
Exchange differences	—	—	697	697	—	697
Balance as at December 31, 2006 . .	<u>1</u>	<u>—</u>	<u>642,986</u>	<u>642,987</u>	<u>—</u>	<u>642,987</u>
Balance as at January 1, 2007	1	—	642,986	642,987	—	642,987
Profit for the year	—	—	483,369	483,369	1	483,370
Exchange differences	—	—	23,904	23,904	—	23,904
Total recognised income and expenses	—	—	507,273	507,273	1	507,274
Issue of new shares	—	1,490,772	—	1,490,772	—	1,490,772
Acquisition of a subsidiary (note 34)	—	—	—	—	(44,474)	(44,474)
Disposal of a subsidiary (note 35)	—	—	—	—	2	2
Capital contribution from minority shareholders (note 36)	—	—	—	—	12,546	12,546
Balance as at December 31, 2007 . .	<u>1</u>	<u>1,490,772</u>	<u>1,150,259</u>	<u>2,641,032</u>	<u>(31,925)</u>	<u>2,609,107</u>
Balance as at January 1, 2008	1	1,490,772	1,150,259	2,641,032	(31,925)	2,609,107
Profit for the year	—	—	500,921	500,921	(8)	500,913
Disposal of a subsidiary (note 35)	—	—	—	—	(10,547)	(10,547)
Capital contribution from minority shareholder (note 36)	—	—	—	—	2,000	2,000
Balances as at December 31, 2008 . .	<u>1</u>	<u>1,490,772</u>	<u>1,651,180</u>	<u>3,141,953</u>	<u>(40,480)</u>	<u>3,101,473</u>
Balance as at January 1, 2009	1	1,490,772	1,651,180	3,141,953	(40,480)	3,101,473
Profit for the period	—	—	367,972	367,972	(10)	367,962
Balance as at June 30, 2009	<u>1</u>	<u>1,490,772</u>	<u>2,019,152</u>	<u>3,509,925</u>	<u>(40,490)</u>	<u>3,469,435</u>

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(e) Consolidated Cash Flow Statements

Note	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Cash flows from operating activities					
Cash generated from/(used in) operations	30	188,668	(891,554)	(1,309,277)	(1,047,632)
Income tax paid		(48,085)	(104,515)	(175,151)	(97,040)
Interest paid		(168,514)	(247,384)	(502,500)	(254,370)
Net cash (used in)/generated from operating activities		(27,931)	(1,243,453)	(1,986,928)	(1,399,042)
Cash flows from investing activities					
Purchase of property and equipment		(29,089)	(8,614)	(44,693)	(12,991)
Acquisition of subsidiaries, net of cash acquired	34	(223,236)	(1,029,621)	(824,655)	(824,655)
Decrease in purchase consideration of subsidiaries		—	—	(68,287)	(47,288)
Disposal of subsidiaries	35	—	86,604	—	—
Investment in associated companies		(102,200)	—	—	—
Amounts due from related companies		(240,079)	391,711	—	—
Proceeds from disposal of property and equipment	30	45	881	364	335
Interest received	25	12,576	9,029	7,243	4,660
Net cash used in investing activities		(581,983)	(550,010)	(930,028)	(879,939)
Cash flows from financing activities					
Proceeds from borrowings		1,518,053	1,406,121	3,914,000	2,494,000
Repayments of borrowings		(561,582)	(577,000)	(1,932,600)	(1,302,000)
Capital injection from minority shareholders		—	12,546	2,000	—
Proceeds from long-term loan with detachable warrants	20(e)	—	1,353,249	—	—
Proceeds from financial derivatives	20(e)	—	99,312	—	—
Issue of new shares	17(iii)	—	1,490,772	—	—
Decrease in amounts due to related companies		(164,697)	(821,732)	(1,174)	(1,533)
Increase/(decrease) in amount due to an associated company		101,828	(101,828)	—	—
Net cash generated from financing activities		893,602	2,861,440	1,982,226	1,190,467
Net increase/(decrease) in cash and cash equivalents		283,688	1,067,977	(934,730)	(1,088,514)
Cash and cash equivalents at beginning of year/period		286,574	570,262	1,624,780	1,624,780
Exchange adjustments		—	(13,459)	(10,779)	(14,649)
Cash and cash equivalents at end of year/period	16	570,262	1,624,780	679,271	521,617
					734,253

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II. NOTES TO THE FINANCIAL INFORMATION

1. Group reorganisation

Kaisa Group Holdings Ltd. (the “Company”) was incorporated in the Cayman Islands on August 2, 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and is engaged in investment holding. During the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, the Company and its subsidiaries (the “Group”) were principally engaged in the property development, property investment, property management and project consultancy businesses.

Mr. Kwok Ying Shing, Mr. Kwok Ying Chi, and Mr. Kwok Chun Wai (hereinafter collectively referred to as the “Kwok Family”) are siblings and jointly owned various companies established in the People’s Republic of China (the “PRC”) engaging in property development, property investment, property management and project consultancy business (the “Property Businesses”). Pursuant to an memorandum dated 25 April 2008, the Kwok Family confirmed that they have acted in concert in respect of their respective rights to vote during the Relevant Periods. In December 2007, pursuant to the reorganisation (the “Reorganisation”) in preparation for [●], the Company acquired all these companies carrying on the Property Businesses (“Core Business Entities”) from the Kwok Family. The Reorganisation principally involved:

- (i) the incorporation of Rui Jing Investment Company Limited (“Rui Jing”), a limited liability company incorporated in the British Virgin Islands (“BVI”), by the Kwok Family;
- (ii) the incorporation of 4 intermediate holding companies in the BVI (“Business Holding Companies”) by Rui Jing, which are established to act as the intermediate holding companies for the business divisions of the Group;
- (iii) the incorporation of 10 intermediate holding companies in the BVI (“Project Holding Companies”) by Business Holding Companies, which are established to act as the intermediate holding companies for the projects of the Group;
- (iv) the transfer of equity interests in the Core Business Entities and four other investment holding companies, namely Dongguan Yinglian Shiye Investment Co. Ltd., Guangzhou Xinhongrui Shiye Co. Ltd., Shenzhen Jiachangxin Property Development Co., Ltd. and Shenzhen Kaisa Baihuo Co. Ltd. (the “Four Other Investment Holding Companies”) from the Kwok Family to the Project Holding Companies;
- (v) the transfer of the equity interests in the Four Other Investment Holding Companies to the Kwok Family at an aggregate cash consideration of RMB86,800,000.
- (vi) the transfer of the entire equity interest in Rui Jing to the Company by the Kwok Family in consideration of shares issued by the Company to the Kwok Family.

The Reorganisation was completed in December 2007 and the Company became the holding company of the Core Business Entities.

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Particulars of the subsidiaries of the Group during the Relevant Periods and at the date of this report are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital at the date of this report	Percentage of attributable equity interest					Principal activities	
			December 31,			June 30,	At the date of this report		
			2006	2007	2008				
Incorporated in the BVI, with limited liability and operate in Hong Kong:									
Directly:									
Rui Jing Investment Company Limited 瑞景投資有限公司	July 23, 2007	USD1,000	—	100%	100%	100%	100%	Investment holding	
Indirectly:									
Jie Feng Investment Company Limited 捷豐投資有限公司	July 23, 2007	USD4	—	100%	100%	100%	100%	Investment holding	
Heng Chang Investment Company Limited 恒昌投資有限公司	July 23, 2007	USD2	—	100%	100%	100%	100%	Investment holding	
Guang Feng Investment Company Limited 廣豐投資有限公司	July 23, 2007	USD1	—	100%	100%	100%	100%	Investment holding	
Ye Chang Investment Company Limited 葉昌投資有限公司	July 23, 2007	USD2	—	100%	100%	100%	100%	Investment holding	
Chang Ye Investment Company Limited 昌業投資有限公司	July 23, 2007	USD2	—	100%	100%	100%	100%	Investment holding	
Rong Hui Investment Company Limited 榮輝投資有限公司	July 25, 2007	USD2	—	100%	100%	100%	100%	Investment holding	
Yuan Yuan Investment Company Limited 遠源投資有限公司	July 23, 2007	USD2	—	100%	100%	100%	100%	Investment holding	
Da Hua Investment Company Limited 大華投資有限公司	July 23, 2007	USD2	—	100%	100%	100%	100%	Investment holding	
Tai He Xiang Investment Company Limited 泰和祥投資有限公司	July 23, 2007	USD2	—	100%	100%	100%	100%	Investment holding	
Zheng Zhong Tian Investment Company Limited 正中天投資有限公司	July 23, 2007	USD2	—	100%	100%	100%	100%	Investment holding	
Dong Chang Investment Company Limited 東昌投資有限公司	July 25, 2007	USD1	—	100%	100%	100%	100%	Investment holding	
Jin Chang Investment Company Limited 進昌投資有限公司	July 25, 2007	USD1	—	100%	100%	100%	100%	Investment holding	
Dong Sheng Investment Company Limited 東升投資有限公司	July 25, 2007	USD1	—	100%	100%	100%	100%	Investment holding	
Xie Mao Investment Company Limited 協茂投資有限公司	July 26, 2007	USD2	—	100%	100%	100%	100%	Investment holding	
China Agriculture Technology Limited 中國農業科技有限公司	March 18, 2004	USD1	100%	100%	100%	100%	100%	Investment holding	
Ace Start Enterprises Limited [#] 佳始企業有限公司	May 2, 2007	USD1	—	100%	100%	100%	100%	Investment holding	
Incorporated in Hong Kong, with limited liability and operate in Hong Kong:									
Kaisa Holdings Limited 佳兆業集團有限公司	July 16, 1999	HK\$100,000	100%	100%	100%	100%	100%	Investment holding	
Cornwell Holdings (Hong Kong) Limited 冠華基業集團（香港）有限公司 . .	September 7, 1993	HK\$2	100%	100%	100%	100%	100%	Investment holding	
Leisure Land Hotel Management (China) Limited 可域酒店管理（中國）有限公司 . . .	August 13, 2004	HK\$10,000	100%	100%	100%	100%	100%	Investment holding	
Regal Silver Manufacturing Limited 靈菊銀器製品有限公司	September 24, 1976	HK\$50,000	100%	100%	100%	100%	100%	Investment holding	
China Manfort Properties Limited 中國萬科地產有限公司	September 28, 2007	HK\$1	—	100%	100%	100%	100%	Investment holding	
Yi Qing Investment Company Limited 怡慶投資有限公司	August 13, 2007	HK\$1	—	100%	100%	100%	100%	Investment holding	

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			December 31,			June 30,	At the date of this report	
			2006	2007	2008	2009		
China Dong Sheng Agriculture Technology Limited 中國東升農業科技有限公司	November 1, 2007	HK\$1	—	100%	100%	100%	100%	Investment holding
Onfair Asia Pacific Limited [#] 安信亞太有限公司	May 17, 2007	HK\$1	—	100%	100%	100%	100%	Investment holding
Zhan Zheng Consulting Company Limited 展正諮詢有限公司	August 10, 2007	HK\$1	—	100%	100%	100%	100%	Investment holding
Yong Rui Xiang Investment Company Limited 永瑞祥投資有限公司	August 13, 2007	HK\$1	—	100%	100%	100%	100%	Investment holding
Success Take International Limited 迪升國際有限公司	March 28, 2003	HK\$100,000	100%	100%	100%	100%	100%	Investment holding
Kaisa Technology Limited 佳兆業科技有限公司	June 30, 2005	HK\$10,000	100%	100%	100%	100%	100%	Investment holding
Woodland Height Holdings Limited 桂芳園集團有限公司	July 2, 2003	HK\$100,000	100%	100%	100%	100%	100%	Investment holding
Established and operate in the PRC, all of which are foreign investment enterprises:								
Kaisa Electronic (Shenzhen) Co., Ltd. 佳兆業電子（深圳）有限公司	May 28, 2001	HK\$390,000,000	100%	100%	100%	100%	100%	Investment holding
Success Take Zhiye (Shenzhen) Co., Ltd. 迪升置業（深圳）有限公司	Feb 15, 2004	RMB10,000,000	100%	100%	100%	100%	100%	Property development
Fenglong Group Co., Ltd. [#] 豐隆集團有限公司	October 29, 1993	RMB168,000,000	—	55%	55%	55%	55%	Property development
Cornwell Jiye Shiye (Shenzhen) Co., Ltd. 冠華基業實業（深圳）有限公司	August 23, 2004	RMB550,000,000	100%	100%	100%	100%	100%	Investment holding
Wanyuchang Computer Technology Development (Shenzhen) Co., Ltd. 萬裕昌計算機技術開發 （深圳）有限公司	October 26, 2001	HK\$2,000,000	100%	100%	100%	100%	100%	Investment holding
Kaisa Property (Shenzhen) Co., Ltd. 佳兆業地產（深圳）有限公司	June 3, 1999	RMB730,000,000	100%	100%	100%	100%	100%	Property development
Kaisa Technology (Shenzhen) Co., Ltd. 佳兆業科技（深圳）有限公司	July 27, 2001	HK\$12,000,000	100%	100%	100%	100%	100%	Property development
Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理（深圳）有限公司	October 20, 1999	RMB5,000,000	100%	100%	100%	100%	100%	Property management
Leisure Land Hotel Management (Shenzhen) Co., Ltd. 可域酒店管理（深圳）有限公司	May 23, 2005	RMB540,000,000	100%	100%	100%	100%	100%	Property management
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	March 21, 1997	RMB12,000,000	100%	100%	100%	100%	100%	Property development
Regal Silver Shiye (Shenzhen) Co., Ltd. 靈菊實業（深圳）有限公司	March 26, 2004	RMB10,000,000	100%	100%	100%	100%	100%	Property development
Woodland Height Shiye (Shenzhen) Co., Ltd. 桂芳園實業（深圳）有限公司	October 13, 2003	RMB10,000,000	100%	100%	100%	100%	100%	Property development
Sichuan Tianzi Ziye Co., Ltd. [#] 四川天姿置業有限公司	September 15, 2006	RMB20,000,000	—	100%	100%	100%	100%	Property development
Hunan Kaisa Zhiye Co., Ltd. 湖南佳兆業置業有限公司	September 14, 2007	HK\$100,000,000	—	100%	100%	100%	100%	Property development
Huidongxian Dongsheng Agriculture Technology Development Co., Ltd. 惠東縣東升農業科技開發有限公司	March 12, 2007	HK\$20,000,000	—	100%	100%	100%	100%	Property development
Huizhou Weitong Property Co., Ltd. [#] 惠州緯通房產有限公司	January 14, 1994	HK\$109,200,000	—	100%	100%	100%	100%	Property development
Huizhou Canrong Property Co., Ltd. [#] 惠州燦榮房產有限公司	January 14, 1994	HK\$31,878,000	—	100%	100%	100%	100%	Property development

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			December 31,			June 30,	At the date of this report	
			2006	2007	2008	2009		
Shenyang Kaisa Property Development Co., Ltd. 瀋陽佳兆業房地產開發有限公司 . . .	November 7, 2007	HK\$0 (note i)	—	100%	100%	100%	100%	Property development
Shenyang Woodland Height Property Development Co., Ltd. 瀋陽桂芳園房地產開發有限公司 . . .	November 20, 2007	HK\$0 (note ii)	—	100%	100%	100%	100%	Property development
Shenzhen Kaisa Baihuo Co., Ltd. [Ⓔ] 深圳市佳兆業百貨有限公司	June 13, 2002	RMB6,000,000	100%	—	—	—	—	Investment holding
Woodlands Height Electronic Technology Development (Shenyang) Co., Ltd. [^] 桂芳園電子技術開發（瀋陽）有限公司.	January 17, 2008	RMB0	—	—	100%	100%	—	Investment holding
Kaisa (Huizhou) Infrastructure Development Co., Ltd. 佳兆業（惠州）基建發展有限公司. .	February 2, 2008	USD11,534,691 (note iii)	—	—	100%	100%	100%	Infrastructure development
Kaisa (Huizhou) Road Construction Development Co., Ltd. 佳兆業（惠州）道路建設發展有限公司.	February 2, 2008	USD40,000,000 (note iv)	—	—	100%	100%	100%	Construction
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技（惠州）有限公司.	March 24, 2008	USD6,442,561 (note v)	—	—	100%	100%	100%	Property development
Kaisa Investment Management (Shanghai) Co., Ltd. 佳兆業投資管理（上海）有限公司. .	March 27, 2008	USD2,000,000	—	—	100%	100%	100%	Investmnet holding
Huizhou Jinhu Entertainment Park Co., Ltd. [†] 金湖遊樂園（惠州）有限公司.	June 11, 1993	USD4,800,000	—	—	100%	100%	100%	Property development
Huizhou Jinhu Resort Village Co., Ltd. [†] 金湖渡假村（惠州）有限公司.	June 2, 1993	USD12,000,000	—	—	100%	100%	100%	Property development
Shenzhen Wanyuhua Investment Consulting Co., Ltd. 深圳市萬裕華投資諮詢有限公司 . . .	July 11, 2008	RMB1,000,000	—	—	—	100%	100%	Investment holding

Established and operate in the PRC, all of which are local investment enterprises:

Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司 . . .	March 3, 2006	RMB10,000,000	100%	100%	100%	100%	100%	100%	Property development
Huizhou Jinhu Property Co., Ltd. [#] 惠州市金湖房地產有限公司	March 26, 1993	RMB51,480,000	—	100%	100%	100%	100%	100%	Property development
Chengdu Kaisa Property Development Co., Ltd. 成都佳兆業房地產開發有限公司 . . .	July 31, 2006	RMB10,000,000	100%	100%	100%	100%	100%	100%	Property development
Guangzhou Jiasui Zhiye Co., Ltd. 廣州市佳穗置業有限公司	May 31, 2006	RMB10,000,000	100%	100%	100%	100%	100%	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	October 27, 2005	RMB10,000,000	100%	100%	100%	100%	100%	100%	Property development
Guangzhou Jinmao Property Management Co., Ltd. 廣州金貿物業管理有限公司	June 22, 2006	RMB5,000,000	100%	100%	100%	100%	100%	100%	Property management
Shenzhen Daye Property Development Co., Ltd. 深圳市大業房地產開發有限公司 . . .	January 26, 2007	RMB10,000,000	—	100%	100%	100%	100%	100%	Property development
Shenzhen Jiachangxin Investment Consulting Co., Ltd. [□] 深圳市佳昌信投資諮詢有限公司 . . .	November 14, 2006	RMB204,680,000	30%	100%	100%	100%	100%	100%	Property development
Shenzhen Zhaoruijing Commerce Operation Management Co., Ltd. 深圳市兆瑞景商業經營管理有限公司	July 19, 2004	RMB1,000,000	100%	100%	100%	100%	100%	100%	Commerce management

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			2006	2007	2008	2009		
Shenzhen Zhengchangtai Investment Consulting Co., Ltd. 深圳市正昌泰投資諮詢有限公司 . . .	June 13, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development
Shenzhen Zhongwei Investment Consulting Co., Ltd. [△] 深圳市中衛投資諮詢有限公司	August 31, 2005	RMB13,480,000	100%	100%	100%	100%	100%	Property development
Sichuan Kaisa Zhiye Co., Ltd. 四川佳兆業置業有限公司	May 16, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司 . . .	January 17, 2007	RMB50,000,000	—	100%	100%	100%	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司 . .	January 29, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development
Dongguan Kaisa Property Development Co., Ltd. 東莞佳兆業房地產開發有限公司 . . .	September 6, 2004	RMB38,000,000	100%	100%	100%	100%	100%	Property development
Chengdu Nanxing Yinji Property Development Co., Ltd. [#] 成都南興銀基房地產開發有限公司 . .	November 5, 2004	RMB20,000,000	—	100%	100%	100%	100%	Property development
Dongguan Kaisa Property Management Co., Ltd. 東莞市佳兆業物業管理有限公司 . . .	July 18, 2007	RMB2,500,000	—	100%	100%	100%	100%	Property management
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司 . . .	July 12, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development
Beijing Jinmao Caixun Xinci Co., Ltd. 北京金貿財迅信息有限公司	December 5, 2005	RMB24,400,000	100%	100%	100%	100%	100%	Investment holding
Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司 . . .	August 22, 2007	RMB20,000,000	—	100%	100%	100%	100%	Property development
Huizhou Kaisa Tangquan Forest Tourism Development Co., Ltd. 惠州市佳兆業湯泉森林公園旅遊開發有限公司	September 29, 2007	RMB10,000,000	—	80%	80%	80%	80%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司 . . .	September 14, 2007	RMB1,000,000	—	100%	100%	100%	100%	Property development
Huizhou Yingbo Property Development Co., Ltd. [■] 惠州市盈博房地產開發有限公司 . . .	August 20, 2007	RMB10,000,000	—	62%	—	—	—	Property development
Shenzhen Chuangzhan Investment Development Co., Ltd. 深圳市創展投資發展有限公司 [#]	November 17, 2000	RMB10,000,000	—	100%	100%	100%	100%	Property development
Chengdu Pengzhou Kaisa Zhiye Co., Ltd. [^] 成都彭州佳兆業置業有限公司	August 9, 2007	RMB10,000,000	—	100%	100%	—	—	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	June 22, 2007	RMB20,000,000	—	100%	100%	100%	100%	Property development
Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司	July 19, 2007	RMB27,000,000	—	100%	100%	100%	100%	Construction
Guangzhou Zhaoruijing Commerce Service Co., Ltd. 廣州市兆瑞景商務服務有限公司 . . .	December 11, 2007	RMB2,000,000	—	100%	100%	100%	100%	Commerce management
Shenzhen Xingwoer Shihua Co., Ltd. [△] 深圳市興沃爾石化有限公司	January 29, 1999	RMB10,000,000	100%	100%	100%	100%	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司 . . .	January 4, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development
Huidongxian Kaisa Investment Co., Ltd. 惠東縣佳兆業投資有限公司	November 20, 2007	RMB10,000,000	—	100%	100%	100%	100%	Construction

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			2006	2007	2008	2009		
Shenzhen Finance Investment Services Co., Ltd. [@] 深圳市金融投資服務有限公司	December 24, 2007	RMB15,000,000	—	55%	—	—	—	Investment holding
Shenzhen Jiachangxin Property Development Co., Ltd. [□] [▽] 深圳市佳昌信房地產開發有限公司 . .	September 30, 2006	RMB40,800,000	30%	—	—	—	—	Property development
Guangzhou Xinhongrui Shiye Co., Ltd. [◇] 廣州市新鴻銳實業有限公司	July 24, 1998	RMB30,000,000	100%	—	—	—	—	Property development
Jinmao International Investment Co., Ltd. [◇] 金貿國際投資有限公司	March 25, 1996	RMB100,000,000	100%	—	—	—	—	Property development
Dongguan Yinglian Shiye Investment Co., Ltd. [◇] 東莞市盈聯實業投資有限公司	April 11, 2007	RMB10,000,000	100%	—	—	—	—	Property development
Chengdu Kaisa Property Management Co., Ltd. 成都市佳兆業物業管理有限公司 . . .	January 30, 2008	RMB3,000,000	—	—	100%	100%	100%	Property management
Jiangyin Taichang Property Development Co., Ltd. [†] 江陰市泰昌房地產開發有限公司 . . .	November 22, 2007	RMB200,000,000	—	—	100%	100%	100%	Property development
Shanghai Xinwan Investment Development Co., Ltd. [†] 上海新灣投資發展有限公司	January 17, 2007	RMB60,000,000	—	—	100%	100%	100%	Property development
Chengdu Zhaoruijing Commerce Service Co., Ltd. 成都兆瑞景商務服務有限公司	January 29, 2008	RMB2,000,000	—	—	100%	100%	100%	Commerce management
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司 [†]	August 29, 2007	RMB60,000,000	—	—	100%	100%	100%	Property development
Boluo Kaisa Property Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司 . .	June 2, 2008	RMB10,000,000	—	—	—	100%	100%	Property development
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司	June 2, 2008	RMB10,000,000	—	—	—	100%	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司 . . .	July 4, 2008	RMB10,000,000	—	—	80%	80%	80%	Property development
Keyu Golden Bay Resort Co., Ltd. 深圳市金沙灣大酒店有限公司 [•]	June 17, 1997	RMB50,000,000	—	—	—	100%	100%	Hotel
Huizhou Zhaoruijing Commerce Operation Management Co., Ltd. 惠州市兆瑞景商業經營管理有限公司	April 7, 2009	RMB5,000,000	—	—	—	100%	100%	Commerce management
Beijing Kaisa Investment Consulting Co., Ltd. 北京佳兆業投資諮詢有限公司	August 26, 2009	RMB1,000,000	—	—	—	—	100%	Investment holding

- △ Acquired in 2006
□ Became a wholly-owned subsidiary in 2007
Acquired in 2007
◇ Disposed in 2007
▽ Disposed to Mr. Kwok Chun Wai, a controlling shareholder
† Acquired in 2008
@ Disposed in 2008
■ Deregistered in 2008
• Acquired in 2009
^ Deregistered in 2009

- (note i) The registered capital of HK\$370,000,000 of Shenyang Kaisa Property will be fully paid up within required framework on or before June 30, 2010.
- (note ii) The registered capital of HK\$370,000,000 of Shenyang Woodland Height will be fully paid up within required timeframe on or before June 30, 2010.
- (note iii) The first installment of the registered capital has not yet been fully paid, of which the remaining registered capital of USD 11,760,000 will be paid up on or before December 31, 2009 and the remaining USD74,705,309 will be paid up on or before December 31, 2010.

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(note iv) The installment of registered capital of USD40,000,000 has been paid up, and the remaining registered capital of USD1,500,000 and USD8,500,000 will be fully paid up within the required timeframe on or before June 30, 2010 and December 31, 2010 respectively.

(note v) The first installment of the registered capital has not yet been fully paid up, of which the remaining registered capital of USD9,450,000 will be fully paid up with the required timeframe on or before June 2010. The remaining USD74,107,439 will be fully paid up on or before June 2012.

No statutory audited financial statements have been prepared for the above subsidiaries except for the following companies of the corresponding financial year(s):

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Chengdu Kaisa Property Development Co., Ltd. 成都佳兆業房地產開發有限公司	Sichuan Wanfang Accountant Service Co. Ltd. 四川萬方會計師事務所有限責任公司	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chendu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師事務所
Guangzhou Jiasui Zhiye Co., Ltd. 廣州市佳穗置業有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Guangzhou Nanhua Certified Public Accountants 廣州南華會計師事務所有限公司
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Guangzhou Nanhua Certified Public Accountants 廣州南華會計師事務所有限公司
Guangzhou Jinmao Property Management Co., Ltd. 廣州金貿物業管理有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Zhonghezhenxin Certified Public Accountants 中和正信會計師事務所
Kaisa Holdings Limited 佳兆業集團有限公司	Yau & Leung CPA Limited 梁游會計師事務所有限公司	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所
Shenzhen Jiachangxin Investment Consulting Co., Ltd. 深圳市佳昌信投資諮詢有限公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenzhen Jiachangxin Property Development Co., Ltd. 深圳市佳昌信房地產開發有限公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	— ⁽¹⁾	— ⁽¹⁾
Shenzhen Kaisa Department Company Limited 深圳市佳兆業百貨有限公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	— ⁽¹⁾	— ⁽¹⁾
Shenzhen Zhaoruijing Commerce Operation Management Co., Ltd. 深圳市兆瑞景商業經營管理有限公司	Shenzhen Shanhe Tax Consultant 深圳市山河稅務師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenzhen Zhongwei Investment Consulting Co., Ltd. 深圳市中衛投資諮詢有限公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Success Take International Limited 迪升國際有限公司	Yau & Leung CPA Limited 梁游會計師事務所有限公司	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所
Kaisa Technology (Shenzhen) Co., Ltd. 佳兆業科技（深圳）有限公司	Shenzhen Yong Xin Ruihe Certified Public Accountants 深圳永信瑞和會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Regal Silver Shiye (Shenzhen) Co., Ltd. 靈菊實業（深圳）有限公司	Shenzhen Yong Xin Ruihe Certified Public Accountants 深圳永信瑞和會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所

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Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Shenzhen Xingwoer Shihua Co., Ltd. 深圳市興沃爾石化有限公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Kaisa Property (Shenzhen) Co., Ltd. 佳兆業地產（深圳）有限公司 . . .	Shenzhen Yong Xin Ruihe Certified Public Accountants 深圳永信瑞和會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Cornwell Jiye Shiye (Shenzhen) Co., Ltd. 冠華基業實業（深圳）有限公司 .	Shenzhen Kwokxintai Certified Public Accountants Limited 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理（深圳） 有限公司	Shenzhen Yida Certified Public Accountants Company Limited 深圳市義達會計師事務所有 限責任公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Keyu Hotel Management (Shenzhen) Co., Ltd. 可域酒店管理（深圳）有限公司 .	Shenzhen Yida Certified Public Accountants Company Limited 深圳市義達會計師事務所有 限責任公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	Shenzhen Yong Xin Ruihe Certified Public Accountants 深圳永信瑞和會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Success Take Zhiye (Shenzhen) Co., Ltd. 迪升置業（深圳）有限公司	Shenzhen Kwokxintai Certified Public Accountants Limited 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Woodland Height Shiye (Shenzhen) Co., Ltd. 桂芳園實業（深圳）有限公司 . . .	Shenzhen Kwokxintai Certified Public Accountants Limited 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司 .	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Guangzhou Shiye Xinhongrui Co., Ltd. 廣州市新鴻銳實業有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有 限公司	— ⁽¹⁾	— ⁽¹⁾
Kaisa Electronic (Shenzhen) Co., Ltd. 佳兆業電子（深圳）有限公司 . . .	Shenzhen Kwokxintai Certified Public Accountants Limited 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenzhen Wanyuchang Computer Technology Development (Shenzhen) Co., Ltd. 深圳萬裕昌計算機技術開發 （深圳）有限公司	Shenzhen Kwokxintai Certified Public Accountants Limited 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Woodland Height Holdings Limited 桂芳園集團有限公司	Yau & Leung CPA Limited 梁游會計師事務所有限公司	Lee & Yu Certified Public Accountants 李志輝、余仲良會計師 事務所	Lee & Yu Certified Public Accountants 李志輝、余仲良會計師 事務所
Leisure Land Hotel Management (China) Limited 可域酒店管理（中國）有限公司 .	Lee & Yu Certified Public Accountants 李志輝、余仲良會計師 事務所	Lee & Yu Certified Public Accountants 李志輝、余仲良會計師 事務所	Lee & Yu Certified Public Accountants 李志輝、余仲良會計師 事務所
Huizhou Weitong Property Co., Ltd. 惠州緯通房產公司	— ⁽²⁾	Huizhou Dong Fang Certified Public Accountants 惠州市東方會計師事務所 有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所 有限公司

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Huizhou Canrong Property Co., Ltd. 惠州燦榮房產公司	— ⁽²⁾	Huizhou Dong Fang Certified Public Accountants 惠州市東方會計師事務所 有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所 有限公司
Zhuhai Zhanda Property Development Co. Ltd. 珠海市展大房地產開發有限公司 .	— ⁽²⁾	Zhuhai De Yuan Certified Public Accountants 珠海德源會計師事務所	Zhuhai Yong An Da Certified Public Accountants 珠海市永安達會計師事務所 有限公司
Sichuan Kaisa Zhiye Co., Ltd. 四川佳兆業置業有限公司	— ⁽³⁾	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chendu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師 事務所
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發 有限公司	— ⁽³⁾	Huizhou An Xin Certified Public Accountants Limited 惠州市安信會計師事務所 有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有 限公司
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發 有限公司	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Fenglong Group Co., Ltd. 豐隆集團有限公司	— ⁽²⁾	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Sichuan Tianzi Ziyue Co., Ltd. 四川天姿置業有限公司	— ⁽²⁾	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chendu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師 事務所
Huizhou Jinhu Property Co., Ltd. 惠州市金湖房地產有限公司	— ⁽²⁾	Huizhou An Xin Certified Public Accountants Limited 惠州市安信會計師事務所 有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有 限公司
Shenzhen Zhengchangtai Investment Consulting Co., Ltd. 深圳市正昌泰投資諮詢有限公司 .	— ⁽³⁾	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenzhen Daye Property Management Co., Ltd. 深圳市大業房地產開發有限公司 .	— ⁽³⁾	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Chengdu Nanxing Yinji Property Development Co., Ltd. 成都南興銀基房地產開發 有限公司	— ⁽²⁾	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chendu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師 事務所
Dongguan Kaisa Property Management Co., Ltd. 東莞市佳兆業物業管理有限公司 .	— ⁽³⁾	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司 .	— ⁽³⁾	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所 有限公司	Zhonghezhengxin Certified Public Accountants 中和正信會計師事務所
Regal Silver Manufacturing Limited 靈菊銀器製品有限公司	Leung & Yau CPA Limited 梁游會計師事務所有限公司	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師 事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師 事務所
Cornwell Holdings (Hong Kong) Limited 冠華基業集團（香港）有限公司 .	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師 事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師 事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師 事務所

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	Year 2006	Year 2007	Year 2008
Beijing Jinmao Caixun Xinci Co., Ltd. 北京金貿財迅信息有限公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Hunan Kaisa Zhiye Co., Ltd. 湖南佳兆業置業有限公司	— ⁽³⁾	Changsha Hua Ming Certified Public Accountants Limited 長沙華明會計師事務所有限責任公司	Changsha Hua Ming Certified Public Accountants 長沙華明會計師事務所有限責任公司
Huidongxian Dongsheng Agriculture Co., Ltd. 惠東縣東升農業科技有限公司	— ⁽³⁾	Huizhou An Xin Certified Public Accountants Limited 惠州市安信會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司	— ⁽³⁾	Changsha Hua Ming Certified Public Accountants Limited 長沙華明會計師事務所有限責任公司	Changsha Hua Ming Certified Public Accountants 長沙華明會計師事務所有限責任公司
Huizhou Kaisa Tangquan Forest Co., Ltd. 惠州市湯泉森林公園旅遊開發有限公司	— ⁽³⁾	Huizhou An Xin Certified Public Accountants Limited 惠州市安信會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	— ⁽³⁾	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Huizhou Yingbo Property Development Co., Ltd. 惠州市盈博房地產開發有限公司	— ⁽³⁾	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	— ⁽⁵⁾
Shenzhen Chuangzhun Investment Development Co., Ltd. 深圳市創展投資發展有限公司	— ⁽²⁾	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Chengdu Pengzhou Kaisa Zhiye Co., Ltd. 成都彭州佳兆業置業有限公司	— ⁽³⁾	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chengdu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師事務所
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	— ⁽³⁾	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chengdu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師事務所
Shenzhen Taijian Construction & Engineering Co., Ltd. 泰建建築工程有限公司	— ⁽³⁾	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Guangzhou Zhaoruijing Commerce Service Co., Ltd. 廣州市兆瑞景商務服務有限公司	— ⁽³⁾	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Zhonghezhenxin Certified Public Accountants 中和正信會計師事務所
China Manfort Properties Limited 中國萬科地產有限公司	— ⁽³⁾	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所
Yi Qing Investment Company Limited 怡慶投資有限公司	— ⁽³⁾	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所
Kaisa Technology Limited 佳兆業科技有限公司	Leung & Yau CPA Limited 梁游會計師事務所有限公司	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所

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China Dong Seng Agriculture Limited 中國東升農業科技有限公司	— ⁽³⁾	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所
Onfair Asia Pacific Limited 安信亞太有限公司	— ⁽⁴⁾	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所
Zhang Zheng Consulting Company Limited 展正投資有限公司	— ⁽³⁾	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所
Yong Rui Xiang Investment Company Limited 永瑞祥投資有限公司	— ⁽³⁾	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝.余仲良會計師事務所
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	— ⁽³⁾	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Huidongxian Kaisa Investment Co., Ltd. 惠東縣佳兆業投資有限公司	— ⁽³⁾	Huizhou An Xin Certified Public Accountants Limited 惠州市安信會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Shenzhen Finance Investment Co., Ltd. 深圳市金融投資服務有限公司	— ⁽³⁾	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	— ⁽⁵⁾	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenyang Kaisa Property Development Co., Ltd. 瀋陽佳兆業房地產開發有限公司	— ⁽⁸⁾	— ⁽⁸⁾	— ⁽⁸⁾	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	— ⁽⁶⁾	— ⁽⁶⁾	— ⁽⁶⁾	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Chengdu Zhaoruijing Commerce Service Co., Ltd. 成都兆瑞景商務服務有限公司	— ⁽⁶⁾	— ⁽⁶⁾	— ⁽⁶⁾	Sichuan Chong Xin Certified Public Accountants 四川崇信會計師事務所有限公司
Chengdu Kaisa Property Management Co. Ltd. 成都市佳兆業物業管理有限公司	— ⁽⁶⁾	— ⁽⁶⁾	— ⁽⁶⁾	Sichuan Chong Xin Certified Public Accountants 四川崇信會計師事務所有限公司
Kaisa (Huizhou) Road Construction Development Co., Ltd. 佳兆業（惠州）道路建設發展有限公司	— ⁽⁶⁾	— ⁽⁶⁾	— ⁽⁶⁾	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Kaisa (Huizhou) Infrastructure Development Co., Ltd. 佳兆業（惠州）基建發展有限公司	— ⁽⁶⁾	— ⁽⁶⁾	— ⁽⁶⁾	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技（惠州）有限公司	— ⁽⁶⁾	— ⁽⁶⁾	— ⁽⁶⁾	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Shenyang Woodland Height Property Development Co., Ltd. 瀋陽桂芳園房地產開發有限公司	— ⁽⁸⁾	— ⁽⁸⁾	— ⁽⁸⁾	Liaoning Sheng Da Certified Public Accountants 遼寧盛達會計師事務所有限公司
Kaisa Investment Management (Shanghai) Co., Ltd. 佳兆業投資管理（上海）有限公司	— ⁽⁶⁾	— ⁽⁶⁾	— ⁽⁶⁾	Shanghai New Shanghai Co., Ltd. Certified Public Accountants 上海新滬會計師事務所有限公司

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Shanghai Xinwan Investment Development Co. Ltd. 上海新灣投資發展有限公司	— ⁽⁷⁾	— ⁽⁷⁾	Shanghai New Shanghai Co., Ltd. Certified Public Accountants 上海新滬會計師事務所有限公司
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司 .	— ⁽⁷⁾	— ⁽⁷⁾	Wuxi Wende zhi Certified Public Accountants 文德智信會計師事務所
Huizhou Jinhu Entertainment Park Co., Ltd. 金湖遊樂園（惠州）有限公司 . . .	— ⁽⁷⁾	— ⁽⁷⁾	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Huizhou Jinhu Resort Village Co., Ltd. 金湖度假村（惠州）有限公司 . . .	— ⁽⁷⁾	— ⁽⁷⁾	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	— ⁽⁷⁾	— ⁽⁷⁾	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Boluo Kaisa Property Development Co., Ltd. 博羅縣佳兆業房地產有限公司 . . .	— ⁽⁶⁾	— ⁽⁶⁾	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司	— ⁽⁶⁾	— ⁽⁶⁾	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Woodlands Height Electronic Technology Development (Shenyang) Co., Ltd. 桂芳園電子技術開發（瀋陽）有限公司	— ⁽⁸⁾	— ⁽⁸⁾	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所

Note: The English names of the PRC companies and statutory auditors referred to above in this note represent management’s best efforts in translating the Chinese names of those companies as no English names have been registered or available.

- (1) No statutory audited financial statements have been obtained for these companies as they were disposed in year 2007.
- (2) No statutory audited financial statements have been obtained for these companies as they were acquired in year 2007 by the Group and no audited financial statements before the date of acquisition were made available by the previous shareholders.
- (3) No statutory audited financial statements have been prepared for these companies as they were established in year 2007.
- (4) No statutory audited financial statements have been prepared for this company as it was established in year 2007 and subsequently acquired by the Group in year 2007.
- (5) No statutory audited financial statements have been prepared for this company as it was established in year 2007 and subsequently disposed by the Group in year 2008.
- (6) No statutory audited financial statements have been prepared for these companies as they were established in year 2008.
- (7) No statutory audited financial statements have been obtained for these companies as they were acquired in year 2008 by the Group and no audited financial statements before the date of acquisition were made available by the previous shareholders.
- (8) No statutory audited financial statements have been prepared for these companies as they are established in year 2007 but no transactions occurred in 2007.

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2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods.

(a) *Basis of preparation*

As the companies comprising the Group were directly or indirectly owned by the Kwok Family prior to and after the Reorganisation, the Reorganisation has been accounted for as a reorganisation of businesses under common control using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information includes the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment, whichever is the shorter period. For companies acquired from (or disposed to) a third party during the Relevant Periods, they are included in (excluded from) the Financial Information from the date of that acquisition (disposal). All significant intra-group transactions and balances have been eliminated on combination.

The Financial Information has been prepared in accordance with the HKFRS issued by the HKICPA under the historical cost convention as modified by the valuation of investment properties and financial derivatives which are carried at fair value, throughout the Relevant Periods.

The preparation of Financial Information in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4 of Section II below.

The Group finances the development of its projects primarily through proceeds from the shareholders’ contributions, bank borrowings, pre-sale proceeds of properties and the long-term loan with detachable warrants. The directors of the Company have prepared and reviewed the working capital forecast for the 18 months ending December 31, 2010. The directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to maintain its operating existence in the foreseeable future and accordingly have prepared and presented the Financial Information on a going concern basis.

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The following new standards, amendments to standards and interpretations have been issued that are mandatory for accounting periods beginning on or after July 1, 2009 or later periods and which the Group has not early adopted.

- HKAS 27 (Revised), “Consolidated and Separate Financial Statements” (effective for annual period beginning on or after July 1, 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from January 1, 2010.
- HKFRS 1 (Amendment), “First time adoption of HKFRS” and HKAS 27 “Consolidated and separate financial statements” (effective for annual periods beginning on or after July 1, 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associated companies in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from January 1, 2010 in its separate financial statements. This amendment is not relevant to the Group.
- HKFRS 3 (Revised), “Business Combination” (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after July 1, 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are “capable of being conducted” rather than “are conducted and managed.” It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets. The Group will apply HKFRS 3 (Revised) from January 1, 2010.

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- HKFRS 5 (Amendment), “Non-current assets held for sale and discontinued operations” (and consequential amendment to HKFRS 1, “First-time adoption”) (effective for annual periods beginning on or after July 1, 2009). The amendment clarifies that all of a subsidiary’s assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from January 1, 2010.
- There are a number of minor amendments to HKFRS 7, “Financial instruments: Disclosures”, HKAS 8, “Accounting policies, changes in accounting estimates and errors”, HKAS 10, “Events after the balance sheet date”, HKAS 18, “Revenue” and HKAS 34, “Interim financial reporting” which are not addressed above. These amendments are unlikely to have an impact on the Group’s financial statements and have therefore not been analysed in detail.
- HKAS 39, “Financial instruments: Recognition and measurement” on eligible hedged items, effective for annual periods beginning on or after July 1, 2009. This is not currently applicable to the Group, as it does not have any hedged items.
- HK(IFRIC) 17, “Distributions of non-cash assets to owners”, effective for annual periods beginning on or after July 1, 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- HK(IFRIC) 18, “Transfers of assets from customers”, effective for transfer of assets received on or after July 1, 2009. This is not relevant to the Group, as it has not received any assets from customers.

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- In May 2009, the HKICPA published certain improvements to the HKFRS which will be effective for period beginning on or after January 1, 2010. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 7 (Amendment)	Cash flow statements
HKAS 17 (Amendment)	Leases
HKAS 18 (Amendment)	Revenue
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKFRS 2 (Amendment)	Scope of HKFRS 2 and revised HKFRS 3
HKFRS 5 (Amendment)	Disclosures of non-current assets (or disposal groups) classified as held for sales or discontinued operations
HKFRS 8 (Amendment)	Disclosure of information about segment assets
HK(IFRIC) 9 (Amendment)	Reassessment of embedded derivatives
HK(IFRIC) 16 (Amendment)	Hedges of a net investment in a foreign operation
HK(IFRIC)-Int 16 (Amendment)	Hedges of a net investment in a foreign operation

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group’s results of operations and financial position.

(b) *Merger accounting for common control combination*

The Financial Information incorporates the financial positions and results of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the entities or businesses are combined using the existing book values from the controlling parties’ perspective. No amount is recognised in consideration for goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over acquisition cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The Financial Information includes the results of each of the combining businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

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A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination are recognised as expenses in the period in which they are incurred.

(c) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the Group of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) *Transaction with minority interest*

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the statement of comprehensive income. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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(e) *Associated companies*

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The investment in associated companies of the Group includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group’s share of its associated companies’ post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group’s interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associated companies are recognised in the statement of comprehensive income.

(f) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

(g) *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each of the companies comprising the Group are measured using the currency of the primary economic environment in which the company operates (the “functional currency”). For the purpose of this report, the Financial Information is presented in Renminbi (“RMB”), which is the functional and presentation currency of the Company.

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(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale investments revaluation reserve in equity.

(iii) *Group companies*

The results and financial positions of all the companies comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet of the companies comprising the Group are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income of the companies comprising the Group are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(h) *Property and equipment*

Property and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the Relevant Periods in which they are incurred.

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Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Motor vehicles	5–10 years
Furniture, fitting and equipment	3–8 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within “Other gains” in the statement of comprehensive income.

(i) *Investment properties*

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land and buildings held under operating leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Prior to January 1, 2009, investment property was measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Investment properties that were under construction were measured at cost. On or after January 1, 2009, investment properties are stated at fair value, unless they are still under construction and the fair value cannot be reasonably estimated.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by independent valuers. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements until a later date.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the statement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property under development and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as other properties revaluation reserve under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income. Other properties revaluation reserve, including any previously recognised, shall remain and be transferred to retained profits upon disposal of properties.

(j) *Impairment of non-financial assets*

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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(k) *Financial assets*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial asset at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are recognised as trade and other receivables and cash and cash equivalents in the balance sheet.

(l) *Properties under development*

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on marketing conditions. Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale, buildings within property and equipment or investment properties.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(m) *Completed properties held for sale*

Completed properties remaining unsold at the end of each of the Relevant Periods are stated as inventory (or current assets held for sale) at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

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(n) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated company is included in investments in associated companies and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

(o) *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that it will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive income.

(p) *Cash and cash equivalents*

Cash and cash equivalent includes cash in hand and at banks, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Bank deposits which are restricted to use are not included in cash and cash equivalents.

(q) *Trade and other payables*

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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(r) *Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

(s) *Long-term loan with detachable warrants*

Long-term loan with detachable warrants that contain liability, warrants, and options are classified as long-term loan liabilities, equity instruments and derivatives on initial recognition.

Derivatives and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Long-term loan with detachable warrants is initially recognised at fair value and is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the loan using the effective interest method.

The derivatives are initially recognised at fair value and are remeasured at their fair value with changes recognised in the statement of comprehensive income.

Issue costs are allocated proportionately to the long-term loan, equity instruments and financial liabilities based on their relative fair values at the date of issue.

(t) *Borrowing costs*

Borrowing costs are charged to the statement of comprehensive income in the accounting period in which they are incurred, except for costs related to funding of the construction and acquisition of properties under development which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

(u) *Current and deferred income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company’s subsidiaries and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(v) *Employee benefits*

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees’ salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (“MPF Scheme”) for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees’ relevant aggregate income. The

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assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees in Hong Kong.

The Group’s contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(w) *Provisions and contingent liabilities*

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

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(x) *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group’s activities. Revenue is shown after eliminating sales with the companies comprising the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group’s activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Sales of properties*

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as advanced proceeds received from customers under current liabilities.

(ii) *Rental income*

Rental income from properties letting under operating leases is recognised on a straight-line basis over the lease terms.

(iii) *Project consultancy services*

Project consultancy services income is recognised in the accounting period in which the service is rendered.

(iv) *Property management*

Commission arising from property management is recognised in the accounting period in which the service is rendered.

(v) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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(y) *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for the land use rights, are charged to the statements of comprehensive income on a straight-line basis over the period of the lease or capitalised in the properties under development.

(ii) *The Group is the lessor*

Assets leased out under operating leases are included in investment properties in the balance sheet.

(z) *Land use rights*

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the statement of comprehensive income. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon completion of the relevant properties.

(aa) *Dividend distribution*

Dividend distribution to the then equity holders of the companies comprising the Group is recognised in this report in the period in which the dividends are approved by the equity holders or the board of directors, where applicable, of relevant companies comprising the Group.

(ab) *Financial guarantee liabilities*

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

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3. Financial risk management

The Group conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group’s major financial instruments include trade and other receivables, cash and cash equivalents, restricted cash, accrued construction costs, other payables, purchase consideration of subsidiaries, refundable deposits received for renovation contract, bank borrowings, long-term loan with detachable warrants and instruments. Details of these financial instruments are disclosed in respective notes. The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk and liquidity risk.

The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and bank borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group’s cash flow projections.

Risk management is carried out by the Group’s management under the supervision of the Finance Committee. The Group’s management identifies, evaluates and manages significant financial risks in the Group’s individual operating units. The Board provides guidance for overall risk management.

(a) *Financial risk factor*

(i) *Market risk*

(i) Foreign currency exchange risk

The Group

The Group’s property development projects are all located in the PRC and all the related transactions are settled in RMB. The Company and certain of the Group’s intermediate holding companies operate in Hong Kong which have recognised assets and liabilities in currencies other than RMB. The directors consider the exposures to those assets and liabilities to be insignificant. As at December 31, 2007, the Group holds a significant amount of United States dollars (“USD”), which represented the long-term loan with detachable warrants (note 20) drew down from a number of financial institutions in August 2007 in the form of USD cash. As the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government, the USD cash have not yet been converted into RMB for the Group’s property development projects as at December 31, 2007. For the year ended December 31, 2008, the majority of the USD cash have been converted into RMB.

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The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at December 31, 2006, the Group’s financial assets and liabilities were mainly denominated in RMB. As at December 31, 2007 and 2008 and June 30, 2009, if RMB had strengthened/weakened by 5% against USD, with all other variables held constant, the Group’s post-tax profit for the year ended December 31, 2007 and 2008 and for the six months ended June 30, 2009 would have been approximately RMB16,366,000, RMB65,008,000 and RMB64,410,000 higher/lower respectively.

The Company

As at December 31, 2007 and 2008 and June 30, 2009, If RMB had strengthened/weakened by 5% against USD, with all other variables held constant, the Company’s post-tax profit for the year ended December 31, 2007 and 2008 and for the six months ended June 30, 2009 would have been approximately RMB70,286,000, RMB65,091,000 and RMB65,066,000 higher/lower respectively.

(ii) Interest rate risk

The Group

The Group has been exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry prevailing market interest rates. The Group’s income and operating cash flows are substantially independent of changes in market interest rates.

The Group’s fair value interest rate risk relates primarily to its fixed rate bank borrowings and long-term loan with detachable warrants. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

At the respective balance sheet dates, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the finance costs, net of amount capitalised in the properties under development, would decrease/increase the Group’s profit by approximately RMB12,230,000, RMB14,615,000, RMB14,758,000 and RMB26,653,000 for each of the three years ended December 31, 2006, 2007, 2008 and for the six months ended June 30, 2009 respectively.

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The Company

The Company’s interest rate risk arises from its fixed rate long-term loan with detachable warrants.

As at December 31, 2007 and 2008 and June 30, 2009, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Company’s post-tax profit for the year ended December 31, 2007 and 2008 and for the six months ended June 30, 2009 would have been RMB15,000,000, RMB16,000,000 and RMB16,000,000 lower/higher respectively.

(iii) Other price risk

The Group is exposed to financial derivatives price risks arising from the financial derivatives. The fair values of these instruments were calculated by an independent appraiser (note 4(e)).

(ii) *Credit risk*

The Group has no significant concentration of credit risk. The carrying amounts of restricted cash, cash and cash equivalents, trade and other receivables and certain amounts of prepayments for proposed development project, represent the Group’s maximum exposure to credit risk in relation to its financial assets. The Group reviews the recoverable amount of trade and other receivables and certain amounts of prepayments for proposed development project on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

In order to minimise the credit risk, management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and certain amounts of prepayments for proposed development projects. In addition, the Group reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group’s credit risk is limited.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rankings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer’s deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group’s credit risk is significantly low.

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(iii) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group’s finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

Certain terms and covenants of the long-term loan with detachable warrants have been breached by the Group for the measurement periods ended on December 31, 2008 and June 30, 2009 (note 20). On October 24, 2009, the Group has obtained waivers from the lenders with respect to the breach of terms and covenants (note 20(f)). In addition, the Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction plans for properties under development, implementing cost control measures, accelerating sales with more flexible pricing, seeking joint venture partners to co-develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

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The following table details the Group’s contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table represents both interest and principal cash flows.

The Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At December 31, 2006					
Borrowings.	1,126,436	1,063,101	390,074	—	2,579,611
Accrued construction costs.	577,398	—	—	—	577,398
Other payables	421,666	—	—	—	421,666
Amounts due to related parties	825,632	—	—	—	825,632
Total	<u>2,951,132</u>	<u>1,063,101</u>	<u>390,074</u>	<u>—</u>	<u>4,404,307</u>
At December 31, 2007					
Borrowings.	1,729,238	1,435,466	280,016	—	3,444,720
Long-term loan with detachable warrants .	433,944	97,416	1,204,416	—	1,735,776
Accrued construction costs.	576,349	—	—	—	576,349
Other payables	919,272	—	—	—	919,272
Amounts due to related parties	3,010	—	—	—	3,010
Financial derivatives . .	17,084	—	—	—	17,084
Total	<u>3,678,897</u>	<u>1,532,882</u>	<u>1,484,432</u>	<u>—</u>	<u>6,696,211</u>
At December 31, 2008					
Borrowings.	2,464,597	2,728,432	395,669	—	5,588,698
Long-term loan with detachable warrants .	1,607,498	—	—	—	1,607,498
Accrued construction costs.	1,144,981	—	—	—	1,144,981
Other payables	880,776	—	—	—	880,776
Amounts due to related parties	1,836	—	—	—	1,836
Financial derivatives . .	20,848	—	—	—	20,848
Total	<u>6,120,536</u>	<u>2,728,432</u>	<u>395,669</u>	<u>—</u>	<u>9,244,637</u>

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	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At June 30, 2009					
Borrowings	3,029,946	1,775,267	825,698	449,320	6,080,231
Long-term loan with detachable warrants	1,546,742	—	—	—	1,546,742
Accrued construction costs	1,111,807	—	—	—	1,111,807
Other payables	944,830	—	—	—	944,830
Amounts due to related parties	336	—	—	—	336
Financial derivatives	8,066	—	—	—	8,066
Total	<u>6,641,727</u>	<u>1,775,267</u>	<u>825,698</u>	<u>449,320</u>	<u>9,692,012</u>

The Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At December 31, 2007				
Long-term loan with detachable warrants	433,944	97,416	1,204,416	1,735,776
Financial derivatives	17,084	—	—	17,084
Total	<u>451,028</u>	<u>97,416</u>	<u>1,204,416</u>	<u>1,752,860</u>
At December 31, 2008				
Long-term loan with detachable warrants	1,607,498	—	—	1,607,498
Financial derivatives	20,848	—	—	20,848
Total	<u>1,628,346</u>	<u>—</u>	<u>—</u>	<u>1,628,346</u>
At June 30, 2009				
Long-term loan with detachable warrants	1,546,742	—	—	1,546,742
Financial derivatives	8,066	—	—	8,066
Total	<u>1,554,808</u>	<u>—</u>	<u>—</u>	<u>1,554,808</u>

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

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The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, long-term loan with detachable warrants disclosed in note 20 and equity attributable to equity holders of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepared the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The Group aims to maintain a gearing ratio within 50% to 70% in the future. The gearing ratios at December 31, 2006, 2007 and 2008 and June 30, 2009 were as follows:

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Total borrowings (note 19)	2,361,525	3,210,525	5,191,925	5,424,549
Long-term loan with detachable warrants (note 20). . .	—	1,358,021	1,305,546	1,333,658
Less: cash and cash equivalents (note 16)	(570,262)	(1,624,780)	(679,271)	(734,253)
Net debt.	1,791,263	2,943,766	5,818,200	6,023,954
Total equity	642,987	2,609,107	3,101,473	3,469,435
Total capital	2,434,250	5,552,873	8,919,673	9,493,389
Gearing ratio.	74%	53%	65%	63%

(c) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group takes reference to professional valuations where necessary and uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

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The nominal value less impairment provisions of trade and other receivables and the nominal value of other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgments

Estimates and judgments used in preparing the Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Income taxes, land appreciation taxes and deferred income taxes*

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management’s best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) *Fair value of investment properties*

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgment, consideration is given to assumptions that are mainly based on market conditions existing at the balance sheet date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Changes in subjective input assumptions can materially affect the fair value estimate. For the years ended December 31, 2006, 2007 and 2008 and for the six

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months ended June 30, 2009, the change in fair value of the investment properties were approximately RMB231.7 million, RMB36.5 million, RMB302.6 million, and RMB281.4 million, respectively.

(c) ***Provision for land use rights, properties under development and completed properties held for sale***

The Group performs impairment tests for its land use rights in accordance with the accounting policies stated in note 2(j).

The management has assessed the recoverable amounts of land use rights by reference to the market condition, value-in-use calculations and the Group’s latest business plan. The value-in-use calculations require the use of estimates such as the projection of future cash inflow generated by the underlying assets (cash generating units) and appropriate discount rates.

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(d) ***Land deposits and prepayments for proposed development projects***

The Group assesses the carrying amounts of land deposits and prepayments for proposed development projects according to their net recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(e) ***Long-term loan with detachable warrants***

As described in note 20, the Company’s long-term loan with detachable warrants contain a number of financial derivatives that are remeasured to fair value through profit or loss at subsequent reporting dates. The Company engaged an independent appraiser to assist it in determining the fair value of these financial derivatives. The determination of fair value was made after consideration of a number of factors, including: effective interest rate, probability of the qualifying initial public offering, risk-free interest rate and expected initial public offering price. This conclusion of value was based on 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.

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5. Segment information

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Board of Directors assesses the performance of the single operating segment based on a measure of profit after tax.

The Board of Directors considers the business from services perspective only. From a services perspective, management assesses the performance of sales of properties, project consultancy services, rental income and property management services. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risk and returns.

Revenue for the Relevant Periods consists of the following:

	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
Sales of properties	2,374,735	2,095,052	2,947,371	1,186,525	2,404,762
Project consultancy services	—	104,839	70,320	70,320	—
Rental income	20,269	28,378	52,478	21,885	42,727
Property management services	3,656	11,091	40,277	9,006	26,243
	<u>2,398,660</u>	<u>2,239,360</u>	<u>3,110,446</u>	<u>1,287,736</u>	<u>2,473,732</u>

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Segment information during the Relevant Periods is as follows:

Primary reporting format — business segments

The segment results for the year ended December 31, 2006 are as follows:

	Property development	Property investment and agency	Property management	Others	Group
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Revenue	2,374,735	20,269	3,656	—	2,398,660
Segment results before change in fair value of investment properties	399,306	12,366	1,021	(2,687)	410,006
Change in fair value of investment properties	—	231,742	—	—	231,742
Segment results	399,306	244,108	1,021	(2,687)	641,748
Finance income					12,576
Finance costs					(30,222)
Finance costs — net					(17,646)
Share of results of associated companies					(65)
Profit before income tax					624,037
Income tax expenses					(130,695)
Profit for the year					493,342

The segment results for the year ended December 31, 2007 are as follows:

	Property development	Project consultancy services	Property investment and agency	Property management	Others	Group
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Revenue	2,095,052	104,839	28,378	11,091	—	2,239,360
Segment results before change in fair value of investment properties and financial derivatives	658,630	82,353	26,812	6,204	(6,307)	767,692
Change in fair value of investment properties	—	—	36,500	—	—	36,500
Change in fair value of financial derivatives	—	—	—	—	(18,642)	(18,642)
Segment results	658,630	82,353	63,312	6,204	(24,949)	785,550
Finance income						9,029
Finance costs						(52,438)
Finance costs — net						(43,409)
Share of results of associated companies						(1)
Profit before income tax						742,140
Income tax expenses						(258,770)
Profit for the year						483,370

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The segment results for the year ended December 31, 2008 are as follows:

	Property development	Project consultancy services	Property investment and agency	Property management	Others	Group
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Revenue	2,947,371	70,320	52,478	40,277	—	3,110,446
Segment results before change in fair value of investment properties and financial derivatives	241,680	51,488	35,569	10,378	94,219	433,334
Change in fair value of investment properties	—	—	302,557	—	—	302,557
Change in fair value of financial derivatives	—	—	—	—	27,221	27,221
Segment results	241,680	51,488	338,126	10,378	121,440	763,112
Finance income						7,243
Finance costs						(117,642)
Finance costs — net						(110,399)
Profit before income tax						652,713
Income tax expenses						(151,800)
Profit for the year						500,913

The segment results for the period ended June 30, 2008 are as follows:

	Property development	Project consultancy services	Property investment and agency	Property management	Others	Group
	RMB’000 (unaudited)	RMB’000 (unaudited)	RMB’000 (unaudited)	RMB’000 (unaudited)	RMB’000 (unaudited)	RMB’000 (unaudited)
Revenue	1,186,525	70,320	21,885	9,006	—	1,287,736
Segment results before change in fair value of investment properties and financial derivatives	177,458	58,688	12,102	662	93,327	342,237
Change in fair value of investment properties	—	—	575,369	—	—	575,369
Change in fair value of financial derivatives	—	—	—	—	(25,646)	(25,646)
Segment results	177,458	58,688	587,471	662	67,681	891,960
Finance income						4,660
Finance costs						(60,673)
Finance costs — net						(56,013)
Profit before income tax						835,947
Income tax expenses						(203,482)
Profit for the period						632,465

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The segment results for the period ended June 30, 2009 are as follows:

	Property development	Property investment and agency	Property management	Others	Group
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Revenue	2,404,762	42,727	26,243	—	2,473,732
Segment results before change in fair value of investment properties and financial derivatives	400,269	33,115	6,506	(10,311)	429,579
Change in fair value of investment properties	—	281,397	—	—	281,397
Change in fair value of financial derivatives .	—	—	—	(19,925)	(19,925)
Segment results	400,269	314,512	6,506	(30,236)	691,051
Finance income					1,792
Finance costs					(108,401)
Finance costs — net					(106,609)
Profit before income tax					584,442
Income tax expenses					(216,480)
Profit for the period					367,962

The segment assets and liabilities as at December 31, 2006, depreciation, amortisation and capital expenditure for the year are as follows:

	Property development	Property investment and agency	Property management	Others	Elimination	Group
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Segment assets	6,873,825	517,102	36,236	1,325,840	(3,148,552)	5,604,451
Associated companies	102,135	—	—	—	—	102,135
Unallocated						25,154
Total assets						5,731,740
Segment liabilities	4,102,456	76,697	14,982	1,081,445	(2,676,866)	2,598,714
Unallocated						2,490,039
Total liabilities						5,088,753
Depreciation (<i>note 6</i>)	3,578	—	161	402	—	4,141
Amortisation (<i>note 8</i>)	1,011	—	—	—	—	1,011
Capital expenditure (<i>notes 6, 7 and 8</i>)	361,107	—	168	447	—	361,722

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The segment assets and liabilities as at December 31, 2007, depreciation, amortisation and capital expenditure for the year are as follows:

	Property development	Project consultancy services	Property investment and agency	Property management	Others	Elimination	Group
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Segment assets	14,490,769	696,718	531,887	573,216	8,937,550	(14,805,314)	10,424,826
Unallocated							44,278
Total assets							10,469,104
Segment liabilities . . .	8,409,603	491,714	81,315	6,329	6,255,606	(12,371,749)	2,872,818
Unallocated							4,987,179
Total liabilities							7,859,997
Depreciation (<i>note 6</i>) . .	4,414	599	28	75	387	—	5,503
Amortisation (<i>note 8</i>) . .	1,074	—	—	—	—	—	1,074
Capital expenditure (<i>notes 6, 7 and 8</i>) . .	<u>2,210,050</u>	<u>1,987</u>	<u>9</u>	<u>131</u>	<u>1,939</u>	<u>—</u>	<u>2,214,116</u>

The segment assets and liabilities as at December 31, 2008, depreciation, amortisation and capital expenditure for the period are as follows:

	Property development	Property consultancy services	Property investment and agency	Property management	Others	Elimination	Group
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Segment assets	23,111,264	—	2,859,652	623,666	7,557,329	(21,054,661)	13,097,250
Unallocated							199,943
Total assets							13,297,193
Segment liabilities . . .	13,944,303	22,452	1,981,736	41,192	4,449,827	(17,255,992)	3,183,518
Unallocated							7,012,202
Total liabilities							10,195,720
Depreciation (<i>note 6</i>) . .	6,743	1,353	1,246	353	998	—	10,693
Amortisation (<i>note 8</i>) . .	4,129	—	—	—	—	—	4,129
Capital expenditure (<i>notes 6, 7 and 8</i>) . .	<u>2,426,187</u>	<u>1,909</u>	<u>868</u>	<u>2,202</u>	<u>4,597</u>	<u>—</u>	<u>2,435,763</u>

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The segment assets and liabilities as at June 30, 2009, depreciation, amortisation and capital expenditure for the period are as follows:

	Property development	Property consultancy services	Property investment and agency	Property management	Others	Elimination	Group
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Segment assets	24,539,972	—	3,432,029	772,832	10,362,852	(25,341,168)	13,766,517
Unallocated							234,964
Total assets							<u>14,001,481</u>
Segment liabilities . .	15,654,546	17,421	1,717,299	321,844	6,969,778	(21,504,240)	3,176,648
Unallocated							7,355,398
Total liabilities							<u>10,532,046</u>
Depreciation (<i>note 6</i>) .	2,487	—	665	3,000	505	—	6,657
Amortisation (<i>note 8</i>) .	6,559	—	—	—	—	—	6,559
Capital expenditure (<i>notes 6, 7 and 8</i>) .	<u>34,299</u>	<u>—</u>	<u>86</u>	<u>208</u>	<u>261,676</u>	<u>—</u>	<u>296,269</u>

No inter-segment transfers or transactions are entered during the Relevant Periods.

Other business segments include the investment holding and inactive companies.

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, debtors, prepayments and other receivables, prepayments for proposed development projects, restricted cash and, cash and cash equivalents. They exclude associated companies, deferred income tax assets and prepaid taxes.

Segment liabilities consist primarily of advanced proceeds received from customers, accrued construction costs and other payables. They exclude deferred income tax liabilities, income tax payable, long-term loan with detachable warrants, borrowings and financial derivatives.

Capital expenditure comprises additions to property and equipment, land use rights and investment properties that are expected to be used for more than one period (notes 6, 7, and 8).

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6. Property and equipment

	Buildings	Motor vehicles	Furniture, fitting and equipment	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2006				
Cost	10,590	11,142	6,168	27,900
Accumulated depreciation	(1,008)	(6,248)	(2,118)	(9,374)
Net book amount	<u>9,582</u>	<u>4,894</u>	<u>4,050</u>	<u>18,526</u>
Year ended December 31, 2006				
Opening net book amount	9,582	4,894	4,050	18,526
Acquisition of subsidiaries (<i>note 34</i>)	—	—	22	22
Additions	25,093	2,463	1,533	29,089
Disposals	—	(190)	(21)	(211)
Depreciation	(1,048)	(1,867)	(1,226)	(4,141)
Exchange differences	—	(11)	—	(11)
Closing net book amount	<u>33,627</u>	<u>5,289</u>	<u>4,358</u>	<u>43,274</u>
At January 1, 2007				
Cost	35,683	13,297	7,661	56,641
Accumulated depreciation	(2,056)	(8,008)	(3,303)	(13,367)
Net book amount	<u>33,627</u>	<u>5,289</u>	<u>4,358</u>	<u>43,274</u>
Year ended December 31, 2007				
Opening net book amount	33,627	5,289	4,358	43,274
Acquisition of subsidiaries (<i>note 34</i>)	—	—	53	53
Additions	—	5,470	3,144	8,614
Disposals	—	(636)	(274)	(910)
Disposals of subsidiaries (<i>note 35</i>)	—	(8)	—	(8)
Depreciation	(1,804)	(2,220)	(1,479)	(5,503)
Closing net book amount	<u>31,823</u>	<u>7,895</u>	<u>5,802</u>	<u>45,520</u>
At January 1, 2008				
Cost	35,683	16,886	10,229	62,798
Accumulated depreciation	(3,860)	(8,991)	(4,427)	(17,278)
Net book amount	<u>31,823</u>	<u>7,895</u>	<u>5,802</u>	<u>45,520</u>
Year ended December 31, 2008				
Opening net book amount	31,823	7,895	5,802	45,520
Acquisition of subsidiaries (<i>note 34</i>)	—	643	54	697
Additions	15,102	4,265	25,215	44,582
Disposals	—	(1,351)	(2,063)	(3,414)
Depreciation	(1,784)	(4,251)	(4,658)	(10,693)
Closing net book amount	<u>45,141</u>	<u>7,201</u>	<u>24,350</u>	<u>76,692</u>
At January 1, 2009				
Cost	50,784	17,149	32,309	100,242
Accumulated depreciation	(5,643)	(9,948)	(7,959)	(23,550)
Net book amount	<u>45,141</u>	<u>7,201</u>	<u>24,350</u>	<u>76,692</u>
Period ended June 30, 2009				
Opening net book amount	45,141	7,201	24,350	76,692
Acquisition of subsidiaries (<i>note 34</i>)	—	27	4,487	4,514
Additions	13,012	—	3,988	17,000
Disposals	—	(665)	(34)	(699)
Depreciation	(1,603)	(1,269)	(3,785)	(6,657)
Closing net book amount	<u>56,550</u>	<u>5,294</u>	<u>29,006</u>	<u>90,850</u>

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As at December 31, 2006, 2007 and 2008 and June 30, 2009, buildings with net book amounts totalling RMB11,516,000, RMB31,823,000 and RMB30,039,000 and RMB28,780,000 were pledged as collateral for the Group’s borrowings (note 19), respectively.

Depreciation expense of RMB4,141,000, RMB5,503,000, RMB10,693,000 and RMB6,657,000 has been charged in administrative expenses for the years ended December 31, 2006, 2007, 2008 and for the six months ended June 30, 2009 respectively.

7. Investment properties

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
At beginning of year	58,930	482,060	518,560	1,278,400
Transfer from land use rights	55,415	—	144,050	1,346
Transfer from properties under development	135,973	—	313,233	—
Transfer from completed properties held for sale	—	—	—	9,007
Increase in fair value	231,742	36,500	302,557	281,397
At end of year	<u>482,060</u>	<u>518,560</u>	<u>1,278,400</u>	<u>1,570,150</u>

The following amounts have been recognised in the statement of comprehensive income:

	December 31,			June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Rental income	398	9,472	32,206	11,518	34,230
Direct operating expenses arising from investment properties that generate rental income	37	374	5,516	1,905	4,459
Change in fair value of investment properties (note).	<u>231,742</u>	<u>36,500</u>	<u>302,557</u>	<u>575,369</u>	<u>281,397</u>

Note: In May 2008, certain land use rights and properties under development were transferred to investment properties upon completion of construction of properties and were measured at fair value.

All investment properties as at December 31, 2006, 2007 and 2008 and June 30, 2009 were valued by Savills Valuation and Professional Services Limited, independent professional valuers. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows, or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

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The Group’s interests in investment properties are analysed as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
In the PRC, held on:				
Leases of over 50 years	80,060	80,060	64,800	147,050
Leases of between 10 to 50 years . .	402,000	438,500	1,213,600	1,423,100
	<u>482,060</u>	<u>518,560</u>	<u>1,278,400</u>	<u>1,570,150</u>

As at December 31, 2006, 2007 and 2008 and June 30, 2009 the investment properties with carrying values totalling RMB80,060,000, RMB518,560,000, RMB477,800,000 and RMB1,493,860,000 were pledged as collateral for the Group’s borrowings (note 19), respectively.

8. Land use rights

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Opening net book amount.	1,376,221	1,250,149	3,218,384	4,839,251
Additions	320,661	1,483,897	1,442,011	237,864
Acquisition of subsidiaries (<i>note 34</i>) . .	11,950	721,552	948,473	36,891
Amortisation expensed in administrative expenses	(1,011)	(1,074)	(4,129)	(6,559)
Amortisation capitalised in properties under development	(18,065)	(54,481)	(73,205)	(34,221)
Impairment loss.	—	—	(89,609)	—
Transfer to cost of sales	(384,192)	(181,659)	(458,624)	(429,239)
Transfer to investment properties.	<u>(55,415)</u>	<u>—</u>	<u>(144,050)</u>	<u>(1,346)</u>
	1,250,149	3,218,384	4,839,251	4,642,641
Expected amount of land use rights to be completed within normal operating cycle included under current assets . .	<u>(1,225,577)</u>	<u>(3,194,562)</u>	<u>(4,816,003)</u>	<u>(4,619,694)</u>
Land use rights — non-current portion .	<u>24,572</u>	<u>23,822</u>	<u>23,248</u>	<u>22,947</u>
In the PRC, held on leases of:				
Between 10 to 50 years	639,780	1,216,660	1,152,612	1,344,357
Between 50 to 70 years	<u>610,369</u>	<u>2,001,724</u>	<u>3,686,639</u>	<u>3,298,284</u>
	<u>1,250,149</u>	<u>3,218,384</u>	<u>4,839,251</u>	<u>4,642,641</u>

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods. Amortisation of land use rights is recognised as an expense or capitalised in properties under development on a straight-line basis over the unexpired period of the rights and the remaining carrying amount is recognised as cost of sales when the relevant properties are sold.

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As at December 31, 2006, 2007 and 2008 and June 30, 2009, land use rights with net book amounts totalling RMB84,529,000, RMB830,581,000, RMB1,933,979,000 and RMB2,601,454,000 were pledged as collateral for the Group’s borrowings (note 19), respectively.

9. Associated companies

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Share of net assets.	102,135	—	—	—

Note: As at December 31, 2006 the Group’s interest in its associated companies, all of which are unlisted, are as follows:

Name	Particulars of registered capital	Place of incorporation	Assets	Liabilities	Revenues	Net loss	Interest indirectly held (note)
	RMB’000		RMB’000	RMB’000	RMB’000	RMB’000	%
Shenzhen Jiachangxin Investment Consulting Co., Ltd. 深圳市佳昌信投資 諮詢有限公司	61,400	PRC	61,380	(24)	—	(44)	30%
Shenzhen Jiachangxin Property Development Co., Ltd. 深圳市佳昌信房地 產開發有限公司 . . .	40,800	PRC	40,779	—	—	(21)	30%

Note: Except for the interests held by the Group, the Kwok Family does not have any other direct or indirect interests in these associated companies.

10. Subsidiary

Company

	December 31, 2007	December 31, 2008	June 30, 2009
	RMB’000	RMB’000	RMB’000
Unlisted shares, at cost.	7	7	7

Notes:

(a) *Details of subsidiaries are set out in note 1 under section II.*

(b) *The amount due from a subsidiary is unsecured, non-interest bearing and has no fixed terms of repayment.*

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11. Properties under development

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Amount comprises:				
Construction costs	971,728	1,956,189	2,075,263	2,421,968
Interest capitalised	30,284	107,647	188,005	160,140
Amortisation of land use rights	20,681	71,061	111,749	125,874
	<u>1,022,693</u>	<u>2,134,897</u>	<u>2,375,017</u>	<u>2,707,982</u>

The properties under development are all located in the PRC.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, properties under development of approximately RMB81,011,000, RMB131,043,000 and RMB1,401,223,000 and RMB1,564,424,000 respectively, were pledged as collateral for the Group’s borrowings (note 19).

12. Completed properties held for sale

Completed properties held for sale are all located in the PRC.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, no completed property held for sale was pledged as collateral for the Group’s bank borrowings (note 19).

13. Debtors, deposits and other receivables

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables (<i>note i</i>)	14,208	5,132	17,350	26,503
Other receivables (<i>note ii</i>)	382,115	48,521	49,882	86,636
Prepayments (<i>note iii</i>)	40,642	282,452	302,230	270,775
Prepaid interest (<i>note iv</i>)	—	20,280	20,455	—
Land deposits (<i>note v</i>)	675,047	1,470,908	871,051	1,095,019
Prepaid other taxes	44,284	30,752	57,751	56,254
	<u>1,156,296</u>	<u>1,858,045</u>	<u>1,318,719</u>	<u>1,535,187</u>

Notes:

- (i) Trade receivables mainly arose from sales of properties. Customers are generally granted credit terms of 1 to 3 months for property development business. The ageing analysis of trade receivables at each of the balance sheet dates is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Within 90 days	<u>14,208</u>	<u>5,132</u>	<u>17,350</u>	<u>26,503</u>

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- (ii) *Other receivables primarily consist of deposits paid for construction of property projects. Other receivables as at December 31, 2006 also included deposits paid to third parties for carrying out business opportunities which were not related to property development and were recovered in 2007.*
- (iii) *Prepayments mainly represent prepayments for construction costs to third parties.*
- (iv) *Prepaid interest represents the payment of interests arising from the long-term loan with detachable warrants.*
- (v) *Land deposits arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained.*

As at December 31, 2006, 2007 and 2008 and June 30, 2009, no trade and other receivables were past due or impaired.

The maximum credit risk exposure is the amount shown on the balance sheet.

14. Prepayments for proposed development projects

During the Relevant Periods, the Group has entered into a number of contracts of property development projects and has made prepayments in accordance with the terms of the contracts. These prepayments would be converted into land use rights and properties under development when the rights to use the lands have been obtained.

15. Restricted cash

Restricted cash mainly comprised of:

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for construction materials and construction fees of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at December 31, 2006, 2007 and 2008 and June 30, 2009, such guarantee deposits amounted to approximately RMB21,272,000, RMB34,850,000 and RMB21,085,000 and RMB20,495,000, respectively. They will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier.
- (b) As at December 31, 2006, 2007 and 2008 and June 30, 2009, the Group’s cash of approximately RMB67,723,000, RMB49,550,000 and RMB84,751,000 and RMB177,386,000 was deposited in certain banks respectively as guarantee deposits for the benefit of mortgage loan facilities (note 32) granted by the banks to the purchasers of the Group’s properties.

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16. Cash and cash equivalents

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Cash at bank and in hand:				
Denominated in — RMB	651,729	345,530	778,395	1,001,255
Denominated in — HKD	7,499	231,330	4,965	9,731
Denominated in — USD.	29	1,132,320	1,747	13,772
	659,257	1,709,180	785,107	1,024,758
Less: Restricted cash (<i>note 15</i>)	(88,995)	(84,400)	(105,836)	(290,505)
	<u>570,262</u>	<u>1,624,780</u>	<u>679,271</u>	<u>734,253</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

17. Share capital and share premium

	December 31,		June 30,
	2007	2008	2009
	RMB’000	RMB’000	RMB’000
Authorised:			
3,800,000 ordinary shares of HK\$0.1 (<i>note i</i>)	<u>380</u>	<u>380</u>	<u>380</u>
Issued and fully paid:			
10,869.565217 ordinary shares of HK\$0.1			
(<i>note ii & iii</i>).	<u>1</u>	<u>1</u>	<u>1</u>

Notes:

- (i) The Company was incorporated in the Cayman Islands on August 2, 2007 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. On the same date, 1 share was issued and fully paid at par to the Kwok Family.
- (ii) The Company allotted and issued 99 and 9,900 shares to the Kwok Family on August 8, 2007 and August 16, 2007 respectively in satisfying the transfer of equity interests in the Core Business Entities from the Kwok Family.
- (iii) On November 16, 2007, certain other investors subscribed an aggregate of 870 shares in the Company of a total subscription price of USD200,000,000 which contributed a share premium of RMB1,490,772,000.
- (iv) Pursuant to the resolutions in writing of the shareholders of the Company passed on [●] below, the authorised share capital of the Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of an additional 4,962,000,000 shares.

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18. Reserves

	Merger reserve (Note a)	Exchange reserve	Statutory reserves (Note b)	Retained earnings	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at January 1, 2006	382	234	11,078	137,253	148,947
Profit for the year	—	—	—	493,342	493,342
Transfer to statutory reserves	—	—	26,008	(26,008)	—
Exchange differences arising from subsidiaries in Hong Kong.	—	697	—	—	697
Balance at January 1, 2007	382	931	37,086	604,587	642,986
Profit for the year	—	—	—	483,369	483,369
Transfer to statutory reserves	—	—	93,843	(93,843)	—
Exchange differences arising from subsidiaries in Hong Kong.	—	23,904	—	—	23,904
Balance at January 1, 2008	382	24,835	130,929	994,113	1,150,259
Profit for the year	—	—	—	500,921	500,921
Transfer to statutory reserves	—	—	100,091	(100,091)	—
Balance at January 1, 2009	382	24,835	231,020	1,394,943	1,651,180
Profit for the period	—	—	—	367,972	367,972
Balance at June 30, 2009	<u>382</u>	<u>24,835</u>	<u>231,020</u>	<u>1,762,915</u>	<u>2,019,152</u>

Notes:

- (a) *The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Reorganisation and the nominal value of the share capital of the Company issued in exchange thereof.*
- (b) *In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before January 1, 2006, the local investment enterprises were required to appropriate at each year end 10% and 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively “the Statutory Reserves”), respectively. After January 1, 2006, the local investment enterprises are allowed to appropriate any percentage of profits to the Statutory Reserves.*

For foreign investment enterprises, before January 1, 2006, the percentage of profits to be appropriated to the Statutory Reserves are solely determined by the board of directors of these foreign investment enterprises. After January 1, 2006, these foreign investment enterprises are not required to make any appropriations to the Statutory Reserves.

During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the boards of directors of the Company’s subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB26,008,000, RMB93,843,000 and RMB100,091,000 and nil to the Statutory Reserves respectively.

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19. Borrowings

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Borrowings included in non-current liabilities:				
Bank borrowings — secured	291,000	600,000	1,232,800	2,650,800
Bank borrowings — unsecured	786,000	760,000	1,484,600	—
Other borrowings — secured	274,525	274,525	274,525	—
	<u>1,351,525</u>	<u>1,634,525</u>	<u>2,991,925</u>	<u>2,650,800</u>
Borrowings included in current liabilities:				
Bank borrowings — secured	270,000	600,000	990,000	814,624
Bank borrowings — unsecured	740,000	976,000	1,210,000	1,684,600
Other borrowings — secured	—	—	—	274,525
	<u>1,010,000</u>	<u>1,576,000</u>	<u>2,200,000</u>	<u>2,773,749</u>

Notes:

- (i) The Group’s bank borrowings of RMB561,000,000, RMB1,200,000,000, RMB2,222,800,000 and RMB3,372,800,000 at each of the balance sheet date were jointly secured by certain properties and land use rights of the Group (notes 6, 7 and 8). At June 30, 2009, RMB92,624,000 was secured by cash of the Group.
- (ii) Other borrowings from third parties are secured, interest-bearing at 8% and repayable in 2010. Other borrowings are initially recognised at fair value which is determined at the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate, and then subsequently stated at amortised cost.
- (iii) Bank borrowings are guaranteed by:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Group companies				
— Secured	150,000	280,000	1,142,800	2,868,424
— Unsecured	<u>1,480,000</u>	<u>1,696,000</u>	<u>2,969,125</u>	<u>1,959,125</u>
	1,630,000	1,976,000	4,111,925	4,827,549
Controlling shareholders				
— Secured (note)	300,000	180,000	222,800	222,800
— Unsecured	<u>100,000</u>	<u>250,000</u>	<u>—</u>	<u>—</u>
	400,000	430,000	222,800	222,800
Close Family members of controlling shareholders				
— Unsecured	<u>240,000</u>	<u>536,000</u>	<u>—</u>	<u>—</u>
	<u>2,270,000</u>	<u>2,942,000</u>	<u>4,334,725</u>	<u>5,050,349</u>

Note:

The guarantees by controlling shareholders and close family members of controlling shareholders have been released as at the date of this report. The Group did not pay for or provide any benefits to these guarantors to induce them to provide the guarantee.

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- (iv) *The exposure of the Group’s borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:*

	6 months or less	6–12 months	1–5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Borrowings included in non-current liabilities:					
At December 31, 2006	400,000	—	951,525	—	1,351,525
At December 31, 2007	535,000	—	1,099,525	—	1,634,525
At December 31, 2008	1,007,400	—	1,984,525	—	2,991,925
At June 30, 2009	1,057,800	—	1,593,000	—	2,650,800
Borrowings included in current liabilities:					
At December 31, 2006	550,000	460,000	—	—	1,010,000
At December 31, 2007	1,109,500	466,500	—	—	1,576,000
At December 31, 2008	1,760,000	440,000	—	—	2,200,000
At June 30, 2009	1,160,224	1,613,525	—	—	2,773,749

- (v) *The maturity of the borrowings included in non-current liabilities is as follows:*

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Between 1 and 2 years	990,000	1,360,000	2,619,125	1,672,800
Between 2 and 5 years	361,525	274,525	372,800	685,000
Over 5 years	—	—	—	293,000
	<u>1,351,525</u>	<u>1,634,525</u>	<u>2,991,925</u>	<u>2,650,800</u>

The effective interest rates at each of the balance sheet dates were as follows:

	December 31,			June 30,
	2006	2007	2008	2009
Bank borrowings, included in non-current liabilities	6.1%	6.7%	7.9%	5.9%
Bank borrowings, included in current liabilities	5.8%	6.2%	7.4%	5.7%
Other borrowings	<u>8.0%</u>	<u>8.0%</u>	<u>8.0%</u>	<u>8.0%</u>

The carrying amounts of all the Group’s borrowings are denominated in RMB and approximate to their fair value.

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20. Long-term loan with detachable warrants

- (a) On August 24, 2007 (as amended and restated on September 12, 2007), the Company entered into a 36 months, USD200,000,000 term loan with detachable warrants agreements (the “Loan Plus Warrant Agreements”) with a number of financial institutions.

There are two tranches of warrants of the Loan Plus Warrant Agreements. Tranche A warrants would be converted into 0.667% of issued share capital of the Company. Tranche B warrants would be converted into a certain number of shares of the Company which are linked to the offer price of the share of the Company in the Qualifying Initial Public Offering (“QIPO”). Each warrant of both tranches would be converted at a predetermined strike price of RMB0.1.

In accordance to the Loan Plus Warrant Agreements, QIPO means the IPO of the shares in the Company and the listing of such shares on The Stock Exchange of Hong Kong Limited, provided that the aggregate value (calculated at the IPO Price) of all the shares in the Company in issue and outstanding on the IPO Listing Date:

- (i) assuming that all shares in the Company to be issued upon the exercise of the rights under the warrants have been issued on that date; and
- (ii) including all shares in the Company issued as part of such IPO,

is at least USD2,000,000,000.

Both tranches could only be exercised on (i) the IPO listing date in the case of QIPO or (ii) the completion date of a third party sale of shares before the QIPO (exercise of tag along options). Both tranches will lapse on the earliest of: (a) the date falling 28 months after August 24, 2007; (b) business day falling immediately after [●]; (c) the date on which a change of control event occurs; and (d) the date on which a resolution or order for the winding up of our Company is passed or made.

- (b) The prepayment options of the loan portion of the Loan Plus Warrant Agreements are as follows:

- (i) Mandatory prepayment of the loan amount under the following conditions:

- (a) QIPO

Each lender may request the Company to prepay 25% of the loan amount or a higher amount as agreed with the Company at a later stage.

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- (b) Long Stop Date (the date falling 28 months after the Loan Plus Warrant Agreement Date when no QIPO has occurred), change of control events and IPO other than a QIPO (in case of changes in terms and conditions required by the Company)

Each lender may request the Company to prepay the entire loan amount. The Company shall also pay to the lender an amount which would yield an internal rate of return of 15% of the entire loan amount excluding any prepayments previously paid. All interest payments previously paid to the lender would be taken into account.

- (ii) Voluntary repayment

The Company may prepay the entire loan amount or in part on any interest payment date after the QIPO.

- (iii) Additional rights of prepayment and cancellation

Should the lender require the Company to pay any additional costs during the loan period, the Company may prepay the entire loan amount plus a yield of an internal rate of return of 15% of the entire loan amount excluding any prepayments previously paid. All interest payments previously paid to the lender would be taken into account.

- (c) The long-term loan with detachable warrants is secured by corporate guarantees provided by the offshore subsidiaries of the Company and security interests over shares of the Company and the offshore subsidiaries of the Company, which will be released on [●].

- (d) The net proceeds received from the Loan Plus Warrant Agreements have been split amongst a liability component, a number of financial derivatives and an equity component as follows:

- (i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 13.5% per annum to the liability component since the loan was issued. Interest of 8.8% per annum is payable semi-annually in accordance to the Loan Plus Warrant Agreements.

- (ii) Financial derivatives comprise of:

- (a) Derivative financial instruments represents the fair value of tranche B warrants.

- (b) Embedded derivatives, comprising:

- (i) The fair value of the option of the lender to require the Company to prepay a portion of the loan amount in the case of QIPO;

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- (ii) the fair value of the option of the lender to require the Company to prepay the entire loan amount in the event of the change of control and IPO other than QIPO;
 - (iii) the fair value of the option of the Company to prepay the loan amount on any interest payment date after the QIPO; and
 - (iv) the fair value of the option of the Company on additional rights of prepayment and cancellation.
- (iii) Equity component represents the tranche A warrants.
- (e) The movements of the liability and derivative components of the Loan Plus Warrant Agreement are set out as below:

	Group and Company	
	Liability component	Derivatives component
	RMB’000	RMB’000
Amount initially recognised	1,353,249	99,312
Interest charged.	61,879	—
Interest paid	(40,561)	—
Change in fair value	—	18,642
Exchange difference.	(16,546)	(1,215)
At December 31, 2007	1,358,021	116,739
Interest charged.	179,319	—
Interest paid	(126,929)	—
Change in fair value	—	(27,221)
Exchange difference.	(104,865)	(8,996)
At December 31, 2008	1,305,546	80,522
Interest charged.	90,493	—
Interest paid/payable	(63,465)	—
Change in fair value	—	19,925
Exchange difference.	1,084	67
At June 30, 2009.	<u>1,333,658</u>	<u>100,514</u>

The fair values of the liability component of the long-term loan with detachable warrants at December 31, 2007 and 2008 and June 30, 2009 amounted to RMB1,460,923,000 and RMB1,178,322,000 and RMB1,398,083,000 respectively. The fair values are calculated using the cash flows discounted at a rate based on the borrowing rate of 12.6% and 33% and 15.5% respectively. Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 13.5% to the liability component.

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- (f) Certain terms and covenants of the long-term loan with detachable warrants have been breached by the Group for the measurement periods ended on December 31, 2008 and June 30, 2009. On October 24, 2009, the Company and the lenders have amended and restated the Loan Plus Warrant Agreement with respect to the breach of terms and covenants.

Pursuant to the amended Loan Plus Warrant Agreement, certain terms and covenants of the Loan Plus Warrant Agreement have been amended and the key changes are summarised below:

- (i) The maturity date of the amended Loan Plus Warrant Agreement has been extended to December 1, 2010.
- (ii) The prepayment option at Long Stop date has been eliminated.
- (iii) The internal rate of return has been amended as follows:
 - 15% for the period from August 24, 2007 to February 28, 2009;
 - 17% for the period from March 1, 2009 onwards.

The amendment is applicable to the following circumstances, (a) change of control events; (b) IPO other than a QIPO (in case of changes in terms and conditions required by the Company) or (c) no IPO by December 1, 2010.

- (iv) The Company will be required to repay 15% of the loan amount upon signing of the amended Loan Plus Warrant Agreement, 10% by December 31, 2009, 21% in three equal instalments, each being 7% of the loan amount by March 31, 2010, June 30, 2010 and September 30, 2010, respectively. The Company will also be required to prepay 25% of the loan amount on the listing date of an IPO and the remaining loan amount by December 1, 2010.
- (v) The expiry date of both tranches of warrants has been extended to December 1, 2010. The predetermined strike price of Tranche B warrants has been eliminated.

Also, the Company has paid USD500,000 (equivalent of RMB3,415,000) as consent fee for the revision of the above terms to the Loan Plus Warrant Agreement.

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21. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	Group			
	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Deferred income tax assets:				
— to be recovered after more than 12 months	1,096	15,783	79,522	57,396
— to be recovered within 12 months . .	7,424	2,535	11,600	38,750
	<u>8,520</u>	<u>18,318</u>	<u>91,122</u>	<u>96,146</u>
Deferred income tax liabilities:				
— to be settled after more than 12 months	(69,542)	(78,667)	(156,239)	(226,588)
The net movement on the deferred income tax is as follows:				
Beginning of the year/period	(5,974)	(61,022)	(60,349)	(65,117)
Recognised in the consolidated statements of comprehensive income (note 28)	(55,048)	673	(4,768)	(65,325)
End of the year/period	<u>(61,022)</u>	<u>(60,349)</u>	<u>(65,117)</u>	<u>(130,442)</u>
	Company			
	December 31,		June 30,	
	2007	2008	2009	
	RMB’000	RMB’000	RMB’000	
Deferred income tax assets:				
— to be recovered after more than 12 months	3,282	—	2,270	
— to be recovered within 12 months	—	—	—	
	<u>3,282</u>	<u>—</u>	<u>2,270</u>	
Deferred income tax liabilities:				
— to be settled after more than 12 months	—	(1,297)	—	

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The movements in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred income tax assets:

	Group and Company	Group		
	Fair value change arising from financial derivatives	Tax losses	Provisions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006	—	5,632	—	5,632
Credited to the consolidated statement of comprehensive income	—	2,888	—	2,888
At December 31, 2006	—	8,520	—	8,520
Credited to the consolidated statement of comprehensive income	3,282	6,516	—	9,798
At December 31, 2007	3,282	15,036	—	18,318
(Debited)/credited to the consolidated statement of comprehensive income	(4,579)	27,033	50,350	72,804
At December 31, 2008	(1,297)	42,069	50,350	91,122
Credited/(debited) to the consolidated statement of comprehensive income	3,567	13,057	(11,600)	5,024
At June 30, 2009	2,270	55,126	38,750	96,146

Deferred income tax liabilities:

	Group Revaluation arising from investment properties
	RMB'000
At January 1, 2006	(11,606)
Charged to the consolidated statement of comprehensive income	(57,936)
At December 31, 2006	(69,542)
Charged to the consolidated statement of comprehensive income	(9,125)
At December 31, 2007	(78,667)
Charged to the consolidated statement of comprehensive income	(77,572)
At December 31, 2008	(156,239)
Charged to the consolidated statement of comprehensive income	(70,349)
At June 30, 2009	(226,588)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB9,514,000, RMB20,186,000 and RMB63,858,000 and RMB90,508,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively that can be carried forward against future taxable income. These tax losses have no expiry dates.

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22. Other payables

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals	420,289	245,507	167,142	237,845
Associated companies (<i>note i</i>)	101,828	—	—	—
Third parties (<i>note ii</i>)	318,461	245,507	167,142	237,845
Purchase consideration of subsidiaries (<i>note iii</i>)	—	407,608	509,344	545,574
Refundable deposit received for renovation contract (<i>note iv</i>)	—	250,000	198,998	152,896
Other taxes payables (<i>note v</i>)	1,377	16,157	5,292	8,515
	<u>421,666</u>	<u>919,272</u>	<u>880,776</u>	<u>944,830</u>

Notes:

- (i) The amounts due to associated companies are unsecured, interest-free and have no fixed terms of repayment. The amounts were settled in 2007.
- (ii) The balance mainly consists of deposits received for carrying out business opportunities which were settled in 2007, amounts received from the Group’s customers to pay for stamp duty on their behalf, other taxes payables and proceeds from sales of properties of Riverside Hill Town received on behalf of the developer.
- (iii) As of December 31, 2007, the amount represents deferred consideration payable for the acquisitions of subsidiaries acquired during 2007, namely Chengdu Nanxing Yunji Property Development Co., Ltd., Huizhou Weitong Property Co., Ltd., Huizhou Canrong Property Co., Ltd., and Fenglong Group Co., Ltd, of which RMB68,287,000 and RMB43,785,000 were settled during 2008 and 2009 respectively. As of December 31, 2008, the amount includes deferred consideration payable for the acquisitions of subsidiaries acquired during 2008, namely Jiangyin Taichung Property Development Co., Ltd and Huizhou Huasheng Investment Co, Ltd, of which RMB19,984,000 was settled during 2009. As of June 30, 2009, the amount also includes deferred consideration payable for the acquisition of a subsidiary acquired during 2009, namely Jinshawan Hotel Co., Limited.
- (iv) The amount represents refundable deposit received for renovation contract for Guangzhou Kaisa Plaza project.
- (v) Other taxes payables mainly represent business tax payable.

23. Other gains/(losses), net

	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
Forfeited customer deposits (<i>note i</i>) .	1,881	1,512	1,582	578	1,324
Investment income.	1,253	—	—	—	—
Gain on disposal of subsidiaries (<i>note 35</i>)	—	2,405	—	—	—
Impairment losses (<i>note ii</i>)	—	—	(213,000)	—	—
Exchange gains/(losses), net	—	6,505	95,202	89,496	(1,806)
	<u>3,134</u>	<u>10,422</u>	<u>(116,216)</u>	<u>90,074</u>	<u>(482)</u>

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Notes:

- (i) The amount represents the forfeited customer deposits on the customers who have not fulfilled the payment obligations in accordance with the original sales and purchase agreements.
- (ii) The amount represents impairment losses on land use rights, properties under development and completed properties held for sale.

24. Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	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
Auditors’ remuneration.	223	260	900	642	656
Advertising and other promotional costs	61,688	52,036	119,765	55,864	53,548
Agency fee.	12,722	6,043	10,310	3,414	10,995
Business taxes (note i)	105,644	106,671	114,424	23,306	123,687
Cost of completed properties sold	1,717,903	1,156,187	2,097,172	850,412	1,732,179
Donations.	2,871	37,449	2,829	2,779	1,280
Legal and professional fees.	4,840	11,191	6,994	4,703	3,217
Depreciation (note 6)	4,141	5,503	10,693	3,618	6,657
Land use rights amortisation (note 8)	1,011	1,074	4,129	699	6,559
Staff costs — excluding directors’ emoluments (note 26).	40,686	50,200	89,387	44,474	47,947
Operating lease rental	1,838	2,511	7,362	2,560	5,505
Others (note ii)	38,221	52,965	96,931	43,102	51,441
	<u>1,991,788</u>	<u>1,482,090</u>	<u>2,560,896</u>	<u>1,035,573</u>	<u>2,043,671</u>

Notes:

- (i) The PRC companies comprising the Group are subject to business taxes on their revenues at the following rates:

Category	Rate
Sale of properties	5%
Project consultancy	5%
Property management.	5%

- (ii) Others mainly represents entertainment expenses, travelling expenses and other selling expenses.

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25. Finance income and costs

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Interest expense:					
— bank borrowings	146,602	163,659	301,335	157,545	172,329
— long-term loan with detachable warrants	—	61,879	179,319	85,902	90,493
— other borrowings	21,912	21,846	21,846	10,923	10,923
Total interest expense	168,514	247,384	502,500	254,370	273,745
Less: interest capitalised (<i>note</i>)	(138,292)	(194,946)	(384,858)	(193,697)	(165,344)
Finance costs	30,222	52,438	117,642	60,673	108,401
Finance income:					
Interest income on bank deposits	12,576	9,029	7,243	4,660	1,792

Note: The capitalisation rate of borrowings is 6.19%, 6.31% and 6.96% and 5.02% for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

26. Staff costs — excluding directors’ emoluments

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Wages and salaries	35,861	43,478	73,953	37,277	41,163
Pension costs — statutory pension	1,231	3,618	3,517	1,470	1,974
Medical benefits	471	326	1,856	873	807
Other allowances and benefits . .	3,123	2,778	10,061	4,854	4,003
	40,686	50,200	89,387	44,474	47,947

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27. Emoluments for directors and five highest paid individuals

(a) Directors’ emoluments

Details of emoluments paid to each director for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 are as follows:

Year ended December 31, 2006						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Kwok Chun Wai . .	—	—	—	—	—	—
Mr. Kwok Ying Shing .	—	—	—	—	—	—
Mr. Kwok Ying Chi. . .	—	509	—	—	13	522
	—	509	—	—	13	522
Year ended December 31, 2007						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Chen Han.	—	—	—	—	—	—
Mr. Kwok Chun Wai . .	—	—	—	—	—	—
Mr. Kwok Ying Shing .	—	—	—	—	—	—
Mr. Kwok Ying Chi. . .	—	456	—	—	11	467
	—	456	—	—	11	467
Year ended December 31, 2008						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Chen Han.	—	—	—	—	—	—
Mr. Kwok Ying Shing .	—	160	—	—	4	164
Mr. Kwok Ying Chi. . .	—	1,128	—	—	11	1,139
Mr. Liu Qiang.	—	1,636	82	2	37	1,757
	—	2,924	82	2	52	3,060

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Six months ended June 30, 2009						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Chen Han.	—	—	—	—	—	—
Mr. Kwok Ying Shing..	—	1,846	—	—	5	1,851
Mr. Kwok Ying Chi. . .	—	1,052	—	—	5	1,057
	—	2,898	—	—	10	2,908
Six months ended June 30, 2008						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Mr. Chen Han.	—	—	—	—	—	—
Mr. Kwok Ying Shing..	—	24	—	—	—	24
Mr. Kwok Ying Chi. . .	—	211	—	—	5	216
Mr. Liu Qiang.	—	1,226	82	1	13	1,322
	—	1,461	82	1	18	1,562

The above directors, except Mr. Chen Han and Mr. Liu Qiang who were appointed by the Company on November 16, 2007 and May 27, 2008 respectively, were all appointed by the Company on May 2, 2007. During the Relevant Periods, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; no director waived or has agreed to waive any emoluments. Mr. Kwok Chun Wai and Mr. Liu Qiang resigned on May 27, 2008 and October 10, 2008 respectively.

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group in each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 included Nil, Nil, Nil, 1 and 2 directors respectively, whose emolument is reflected in note (a) above. The emoluments for the remaining 5, 5, 5, 4 and 3 individuals in each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other benefits	3,042	4,012	5,373	1,947	1,909
Discretionary bonuses . . .	359	417	393	330	—
Contribution to pension schemes	76	101	164	46	45
	3,477	4,530	5,930	2,323	1,954

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The emoluments fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008 (unaudited)	2009
Nil to RMB1,000,000 . . .	5	4	2	5	3
RMB1,000,000 to RMB2,000,000	—	1	3	—	2
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Relevant Periods, none of the above individuals has received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; none of the above individuals has waived or has agreed to waive any emoluments.

28. Income tax expenses

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

PRC enterprise income tax

Enterprises incorporated in the PRC are subject to enterprise income tax (“EIT”) at rate of 33%, which comprises 30% attributable to national enterprise income tax and 3% attributable to local municipal income tax. Certain subsidiaries of the Group established in the Shenzhen Special Economic Zone were subject to EIT at a rate of 15% during the years ended December 31, 2006 and 2007. There were no other preferential tax treatment granted by the relevant tax authorities in the PRC during the years ended December 31, 2006 and 2007.

On March 16 2007, the National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the “new CIT Law”), which is effective from January 1, 2008. Under the new CIT Law, for Group’s subsidiaries currently entitling a tax rate of 15%, it will be gradually increased to 25% over the next five years. For Group’s subsidiaries currently entitling a tax rate of 33%, it will decrease to 25% effective on January 1, 2008.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, the change in the applicable tax rate has affected the determination of the carrying values of deferred income tax assets and liabilities of the Group’s subsidiaries located in Mainland China. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, has been reflected in the financial information of the Group for the year ended December 31, 2007.

Furthermore, in accordance with the “Implementation Rules of the People’s Republic of China on the new CIT Law” promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a 10% withholding tax will be levied on dividend declared on or after January 1, 2008. A lower withholding tax rate may be applied if there is tax treaty arrangement between the PRC and the jurisdiction of the foreign investor (for example, a foreign investor in HK will be levied on a 5% withholding tax rate).

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No income tax expense was provided for associated companies as no assessable profits was generated for the year ended December 31, 2006.

Hong Kong profits tax

No Hong Kong profits tax was provided for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 as the Group have no assessable profits for those periods.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statements of comprehensive income as income tax.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current income tax					
— PRC enterprise income tax .	60,695	135,608	135,035	79,443	90,849
— PRC land appreciation tax .	14,952	119,000	11,997	9,666	60,306
Underprovision	—	4,835	—	—	—
Deferred income tax (<i>note 21</i>).	55,048	(673)	4,768	114,373	65,325
	<u>130,695</u>	<u>258,770</u>	<u>151,800</u>	<u>203,482</u>	<u>216,480</u>

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The income tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies comprising the Group as follows:

	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
Profit before income tax	624,037	742,140	652,713	835,947	584,442
Adjusted by: share of results of associated companies	65	1	—	—	—
	624,102	742,141	652,713	835,947	584,442
Calculated at PRC foreign enterprise income tax rate of (2006: 15%; 2007: 15%; 2008: 18%; 2009: 20%)	93,615	111,321	117,489	150,471	116,888
Effect of different income tax rates of certain companies	17,813	13,944	27,699	56,494	17,967
Effect of change in income tax rates of certain companies	—	—	(4,538)	(102)	3,296
Income not subject to tax	(437)	(4,462)	(19,315)	(21,055)	(1,639)
Expenses not deductible for tax purposes	4,006	12,531	10,607	5,020	14,332
Tax losses not recognised	746	1,601	7,861	2,988	5,330
Underprovision	—	4,835	—	—	—
PRC enterprise income tax	115,743	139,770	139,803	193,816	156,174
PRC land appreciation tax	14,952	119,000	11,997	9,666	60,306
Income tax expenses	130,695	258,770	151,800	203,482	216,480

29. Earnings per share

In 2007, the Company issued 10,869.565217 ordinary shares with par value of HK\$0.1 each (note 17 (ii) and (iii)). The calculation of earnings per share for the year ended December 31, 2007 and 2008 and the six months ended June 30, 2008 and 2009 are based on the profit attributable to equity holders of the Company of RMB483,369,000, RMB500,921,000, RMB632,469,000 and RMB367,972,000, respectively, and the 10,869.565217 shares in issue.

No diluted earnings per share are presented as there were no potential dilutive shares in issue during the year ended December 31, 2007 and 2008 and the six months ended June 30, 2008 and 2009.

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30. Cash generated/(used in) from operations

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Profit for the year/period	493,342	483,370	500,913	632,465	367,962
Adjustments for:					
Income tax expenses (<i>note 28</i>) . .	130,695	258,770	151,800	203,482	216,480
Interest income (<i>note 25</i>)	(12,576)	(9,029)	(7,243)	(4,660)	(1,792)
Interest expense (<i>note 25</i>)	30,222	52,438	117,642	60,673	108,401
Net exchange gains	—	—	(95,202)	(89,496)	1,806
Depreciation (<i>note 6</i>)	4,141	5,503	10,693	3,618	6,657
Amortisation (<i>note 8</i>)	1,011	1,074	4,129	699	6,559
Loss/(gain) on disposals					
of property and equipment . . .	166	29	3,050	(119)	(309)
Loss on sale of listed securities					
through profit or loss	54	—	—	—	—
Impairment losses (<i>note 23</i>)	—	—	213,000	—	—
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
Gain on disposal of subsidiaries .	—	(2,405)	—	—	—
Share of results of associated					
companies	65	1	—	—	—
Changes in working capital:					
Land use rights	81,595	(276,698)	230,064	176,811	445,867
Properties under development and					
completed properties held for					
sale	326,617	(907,198)	(1,400,255)	(911,179)	114,297
Debtors, deposits and other					
receivables	(441,113)	(789,169)	(46,998)	(100,016)	(207,724)
Prepayments for proposed					
development projects	(373,764)	(350,237)	(708,015)	(704,962)	(61,809)
Listed securities at fair value					
through profit or loss	1,038	—	—	—	—
Restricted cash	(70,921)	4,595	(21,436)	31,595	(184,669)
Advanced proceeds received from					
customers	638	600,170	(218,261)	(83,691)	(31,350)
Accrued construction costs	34,770	(1,049)	568,631	366,836	(33,174)
Other payables	214,430	56,139	(282,011)	(79,965)	44,322
Cash generated from/(used in)					
operations	<u>188,668</u>	<u>(891,554)</u>	<u>(1,309,277)</u>	<u>(1,047,632)</u>	<u>530,052</u>

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Note: Loss/(gain) on disposals of property and equipment of each of the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Net book amount disposed	211	910 ^(Note 6)	3,414	216	699
Proceeds received	(45)	(881) ^(CIF)	(364)	(335)	(1,008)
Loss/(gain) on disposals	166	29	3,050	(119)	(309)

31. Dividend

No dividend has been paid or declared by the Company since its incorporation.

32. Financial guarantees contracts

The Group had the following financial guarantees as at the end of each Relevant Period:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Guarantees in respect of mortgage facilities for certain purchasers of the property units	1,267,541	873,878	1,629,013	2,444,080

It represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group’s properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

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33. Commitments

(a) *Commitments for property development expenditures*

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Contracted but not provided for. .	<u>1,933,025</u>	<u>5,585,773</u>	<u>7,300,651</u>	<u>4,591,724</u>

(b) *Operating lease commitments*

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Not later than one year.	722	1,990	9,617	12,785
Later than one year and not later than five years	186	2,941	9,950	11,829
Later than five years	—	—	1,315	136
	<u>908</u>	<u>4,931</u>	<u>20,882</u>	<u>24,750</u>

(c) *Operating lease rentals receivable*

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Not later than one year.	17,453	32,563	81,124	88,829
Later than one year and not later than five years	58,543	113,087	275,981	340,041
Later than five years	<u>63,835</u>	<u>106,729</u>	<u>196,548</u>	<u>255,114</u>
	<u>139,831</u>	<u>252,379</u>	<u>553,653</u>	<u>683,984</u>

34. Acquisitions of subsidiaries

In 2006, the Group acquired 100% of the equity interest of two companies (note 1 of section II) at a total cash consideration of approximately RMB223,458,000. In 2007, the Group acquired 100% of the equity interest of several subsidiaries except for Fenglong Group Co., Ltd. of which only 55% equity interest was being acquired, (note 1 of section II) from respective third parties at a total cash consideration of approximately RMB1,030,292,000 and deferred cash consideration of approximately RMB407,608,000. In 2008, the Group acquired 100% of the equity interest of five subsidiaries from respective third parties and related parties (note 37(e)) at a total cash consideration of approximately RMB843,349,000 and deferred cash consideration of

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approximately RMB315,949,000. During the six months ended June 30, 2009, the Group acquired 100% of the equity interest of a subsidiary from a third party at a total cash consideration of approximately RMB160,000,000 and deferred cash consideration of approximately RMB100,000,000. The considerations of all these acquisitions were based on the value of the land. During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, these subsidiaries have been loss making prior to the completion of the construction and sales of the properties. These companies did not operate any business prior to the acquisition, except for the subsidiary acquired in the six months ended June 30, 2009 which carried out hotel operations, and only held a piece of land or a land grant contract. For the subsidiary being acquired in the six months ended June 30, 2009, the Group did not take over any management of the hotel operations as its plan is to acquire the land for redevelopment. Therefore, the Group considered that these would be acquisitions of assets in substance and as a result the difference between the cash consideration and the net assets acquired would be recognised as adjustments to the carrying value of the land use rights and land deposits.

The assets and liabilities arising from the acquisitions are as follows:

	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
Property and equipment	22	53	697	697	4,514
Land use rights	11,950	721,552	948,473	948,473	36,891
Prepayments for proposed development projects	—	—	—	—	—
Debtors, deposits and other receivables	44,990	170,861	31,423	31,423	8,744
Properties under development	—	7,392	110	110	—
Cash and cash equivalents	222	671	18,694	18,694	109
Other payables	(12,177)	(396,948)	(37,584)	(37,584)	(10,529)
Borrowings	—	(19,879)	—	—	—
Net assets	<u>45,007</u>	<u>483,702</u>	<u>961,813</u>	<u>961,813</u>	<u>39,729</u>
Interest already held by the Group (note (i))	—	(61,334)	—	—	—
Minority interest (note (ii))	—	44,474	—	—	—
Net assets acquired	<u>45,007</u>	<u>466,842</u>	<u>961,813</u>	<u>961,813</u>	<u>39,729</u>
Purchase consideration settled in cash	223,458	1,030,292	843,349	843,349	160,000
Cash and bank balances in subsidiaries acquired	(222)	(671)	(18,694)	(18,694)	(109)
Cash outflow on acquisition	<u>223,236</u>	<u>1,029,621</u>	<u>824,655</u>	<u>824,655</u>	<u>159,891</u>

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Details of net assets acquired and additions to land use rights and land deposits are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Total purchase consideration:					
— Cash paid.	223,458	1,030,292	843,349	843,349	160,000
— Deferred cash consideration . .	—	407,608	315,949	315,949	100,000
	223,458	1,437,900	1,159,298	1,159,298	260,000
Fair value of net assets acquired — shown as above.	(45,007)	(466,842)	(961,813)	(961,813)	(39,729)
Adjustments to the carrying amount of land use rights and land deposits	178,451	971,058	197,485	197,485	220,271

Notes:

- (i) The amount represents the net asset value of the 30% interest in an associated company, Shenzhen Jiachangxin Investment Consulting Company Limited, which became a wholly-owned subsidiary of the Group in year 2007.
- (ii) The minority shareholder of Fenglong Group Co., Ltd., has agreed to share the net deficit of Fenglong Group Co., Ltd. on top of its contribution to the registered capital.

35. Disposals of subsidiaries

During 2007, the Group disposed its entire equity interest in several companies (note 1 of section II) at their respective original investment costs to certain third parties and a controlling shareholder respectively. During 2008, the Group disposed its entire equity interest in a company (note 1 of section II) at its original investment costs to a third party.

Details of the net assets of the above subsidiaries disposed of and the relevant gains or losses on disposals are as follows:

	Year ended December 31,		Six months ended June 30,	
	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
			(unaudited)	
Cash received.	86,800	8,250	—	—
Amount settled by amount due to a related party	100,000	—	—	—
Total consideration.	186,800	8,250	—	—
Net assets disposed.	184,395	8,250	—	—
Gain on disposals (note 23)	2,405	—	—	—

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The aggregates assets and liabilities in respect of the above disposals were as follows:

	Year ended December 31,	
	2007	2008
	RMB’000	RMB’000
Cash and cash equivalents	196	15,000
Debtors, deposits and other receivables.	446,344	—
Property and equipment	8	—
Other payables	(262,151)	—
	184,397	15,000
Less: Minority interest disposed	(2)	(6,750)
Net assets disposed	184,395	8,250
Total consideration	186,800	8,250
Less: Amount due to a related party	(100,000)	—
Cash received	86,800	8,250
Less: cash and cash equivalents in the subsidiaries and businesses disposed	(196)	(8,250)
Cash inflow on disposals	86,604	—

36. Capital contribution from minority shareholders

- (a) On September 29, 2007, Kaisa Tangquan Forest Co., Ltd. (“Kaisa Tangquan”) was established with registered capital of RMB10,000,000. Huizhou State-owned Tangquan Linchang (惠州市國營湯泉林場), being the minority shareholder which owns 20% equity interests in Kaisa Tangquan, contributed RMB2,000,000.
- (b) On August 20, 2007, Huizhou Yingbo Property Development Co., Ltd. (“Huizhou Yingbo”) was established with registered capital of RMB10,000,000. Mr. Zeng Jia (曾嘉), being the minority shareholder who owns 38% equity interests in Huizhou Yingbo, contributed RMB3,800,000.
- (c) On December 24, 2007, Shenzhen Finance Investment Services Co., Ltd. (“Shenzhen Finance”) was established with registered capital of RMB15,000,000. China Zhongqi Investment Co., Ltd. (中國中期投資有限公司) and Shenzhen Gaoxin Technology Development Co., Ltd. (深圳市高新技術開發有限公司), being the minority shareholders which own 15% and 30% equity interests in Shenzhen Finance respectively, contributed a total of RMB6,746,000.
- (d) On July 4, 2008, Dongguan Yingyan Property Development Co., Ltd. (“Dongguan Yingyan”) was established with registered capital of RMB10,000,000. Dongguan Fenggang Yantian Corporate Development Company, being the minority shareholder who owns 20% equity interests in Dongguan Yingyan, contributed RMB2,000,000.

The above contribution from minority interest is presented as capital contribution from minority shareholders in the consolidated statement of changes in equity.

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37. Related party transactions

(a) *Name and relationship with related parties*

Controlling shareholders

Mr. Kwok Chun Wai, Mr. Kwok Ying Shing and Mr. Kwok Ying Chi.

Close family members of controlling shareholders

Mr. Kwok Ying Long, Mr. Kwok Ying Guang, Mr. Kwok Yang Xing, Kwok Yuan Tang, Mr. Mai Wei Liang, Mr. Zhan Qiongmeng, Ms. Zhan Hai Zhen and Mr. Luo Han Dun.

Controlled by controlling shareholders

Prime Yield Holdings Limited (泰怡集團有限公司)

Chibase (Asia) Investment Limited

Friendship (China) Investment Limited

Year Up Investment Limited

Shenzhen Zhaoxinbao Industrial Limited (深圳市兆興寶實業有限公司)

Controlled by close family members of controlling shareholders

Shenzhen Qiyu Guarantee Company Limited (深圳市琪裕擔保有限公司)

The English names of certain of the companies referred to above in this note represent management’s best efforts in translating the Chinese names of these companies as no English names have been registered or available.

(b) *Key management compensation*

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Salaries and other short-term employee benefits	3,401	4,429	9,330	5,121	6,737
Retirement scheme contributions	76	101	271	96	129
	<u>3,477</u>	<u>4,530</u>	<u>9,601</u>	<u>5,217</u>	<u>6,866</u>

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(c) *Balances with related parties*

As at December 31, 2006, 2007 and 2008 and June 30, 2009, the Group had the following significant non-trade balances with related parties:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Amounts due from related parties (<i>note</i>)				
— included in other receivables:				
Close family members of Controlling Shareholders				
Mr. Kwok Ying Guang	24,701	—	—	—
Mr. Kwok Ying Long	41,315	—	—	—
Mr. Mai Wei Liang	81,355	—	—	—
Mr. Zhan Qiongmeng	63,794	—	—	—
Others	47,357	—	—	—
	<u>258,522</u>	<u>—</u>	<u>—</u>	<u>—</u>
Controlled by Controlling Shareholders:				
Prime Yield Holdings Limited				
(泰怡集團有限公司)	13,683	—	—	—
Chibase (Asia) Investment Limited and Friendship (China) Investment Limited	1,217	—	—	—
Year Up Investment Limited	66,986	—	—	—
Shenzhen Zhaoxinbao Industrial Limited				
(深圳市兆興寶實業有限公司)	57,643	—	—	—
	<u>139,529</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>398,051</u>	<u>—</u>	<u>—</u>	<u>—</u>
Maximum amount due from related parties — included in other receivables during the year:				
Close family members of Controlling Shareholders				
Mr. Kwok Ying Guang	24,701	24,701	—	—
Mr. Kwok Ying Long	58,587	41,315	—	—
Mr. Mai Wei Liang	81,355	81,355	—	—
Mr. Zhan Qiongmeng	63,794	63,794	—	—
Others	47,357	47,357	—	—
	<u>275,794</u>	<u>258,522</u>	<u>—</u>	<u>—</u>

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	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Controlled by Controlling Shareholders:				
Prime Yield Holdings Limited				
(泰怡集團有限公司)	13,683	13,683	—	—
Chibase (Asia) Investment Limited and				
Friendship (China) Investment				
Limited.	12,720	1,217	—	—
Year Up Investment Limited	66,986	66,986	—	—
Shenzhen Zhaoxinbao Industrial				
Limited				
(深圳市兆興寶實業有限公司)	57,643	57,643	—	—
	151,032	139,529	—	—
	426,826	398,051	—	—
Amounts due to related parties (<i>note</i>)				
— included in other payables:				
Controlling Shareholders				
Mr. Kwok Chun Wai	44,355	—	—	—
Mr. Kwok Ying Chi.	10,780	—	—	—
Mr. Kwok Ying Shing	4,987	—	—	—
	60,122	—	—	—
Close family members of Controlling				
Shareholders				
Mr. Kwok Yang Xing	4,856	—	—	—
Mr. Kwok Yuan Tang	9,360	—	—	—
Ms. Zhan Hai Zhen	7,280	—	—	—
Mr. Luo Han Dun	8,167	—	—	—
Others	11,125	—	—	—
	40,788	—	—	—
Controlled by close family members of				
Controlling Shareholders:				
Shenzhen Qiyu Guarantee Company				
Limited				
(深圳市琪裕擔保有限公司)	724,722	3,010	1,836	336
	825,632	3,010	1,836	336

Note: Amounts due from/to related parties were unsecured, interest-free and repayable on demand.

APPENDIX I

ACCOUNTANTS’ REPORT

(d) *Purchasing of services*

	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
Rental expense	—	861	849	424	468

Note: This represents payment of rental expense for various office premises to Mr. Kwok Chun Wai, Mr. Kwok Ying Shing and Prime Yield Holdings Limited respectively. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

(e) *Acquisition of subsidiaries*

According to the original and supplemental sale and purchase agreements entered in May 2008, the Group has acquired 100% equity interests in Huizhou Jinhu Resort Village Co. Ltd. (“Resort Village”) and Huizhou Jinhu Entertainment Park Co. Ltd. (“Entertainment Park”) from Jinhu Development Co. (held by Mr. Chen Geng Xian, the general manager of Shenzhen Kaisa Property) and Shenzhen Hongchangyu Enterprise Management Consulting Co. Ltd. (held by Zhan Qiongmeng, a related party) for a total consideration of approximately RMB191,174,000 which is determined with reference to the land value of Resort Village and Entertainment Park as at April 30, 2008. The acquisitions were completed on May 14, 2008 and the cash consideration was fully settled by the Group.

(f) *Guarantees provided by related parties*

Details of the guarantees provided by related parties on the Group’s borrowings are disclosed in note 19(iii) of section II to this report.

38. Subsequent events

On November 3, 2009, the Group entered into a memorandum of understanding (the “MOU”) in relation to a possible disposal of its equity interest in Guangzhou Jiasui Zhiye Co., Ltd, the project company for development of Guangzhou Kaisa Plaza at a cash consideration of not less than RMB1,850 million, which is above the estimated total development cost. The transaction will be completed by end of year 2010 following the completion of the construction of Guangzhou Kaisa Plaza.

APPENDIX I

ACCOUNTANTS’ REPORT

39. Accounting adjustments under common control combination

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets.

The consolidated balance sheets as at June 30, 2009:

	The Company	The Operating Group	Adjustments	Consolidated
	RMB’000	RMB’000	(note)	RMB’000
Investment in the Operating Group	7	—	(7)	—
Other assets — net	1,039,383	2,444,752	—	3,469,435
Net assets.	1,039,390	2,444,752		3,469,435
Share capital.	1	7	(7)	1
Share premium	1,490,772	—	—	1,490,772
Merger reserve	—	382	—	382
(Accumulated losses)/retained earnings. .	(451,383)	2,214,298	—	1,762,915
Other reserves.	—	255,855	—	255,855
Minority interest	—	(40,490)	—	(40,490)
	<u>1,039,390</u>	<u>2,430,052</u>		<u>3,469,435</u>

The consolidated balance sheets as at December 31, 2008:

	The Company	The Operating Group	Adjustments	Consolidated
	RMB’000	RMB’000	(note)	RMB’000
Investment in the Operating Group	7	—	(7)	—
Other assets — net	1,137,749	1,963,724	—	3,101,473
Net assets.	1,137,756	1,963,724		3,101,473
Share capital.	1	7	(7)	1
Share premium	1,490,772	—	—	1,490,772
Merger reserve	—	382	—	382
(Accumulated losses)/retained earnings. .	(353,017)	1,747,960	—	1,394,943
Other reserves.	—	255,855	—	255,855
Minority interest	—	(40,480)	—	(40,480)
	<u>1,137,756</u>	<u>1,963,724</u>		<u>3,101,473</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The consolidated balance sheets as at December 31, 2007:

	The Company	The Operating Group	Adjustments	Consolidated
	RMB’000	RMB’000	(note)	RMB’000
Investment in the Operating Group	7	—	(7)	—
Other assets — net	1,431,286	1,177,821	—	2,609,107
Net assets.	<u>1,431,293</u>	<u>1,177,821</u>		<u>2,609,107</u>
Share capital.	1	7	(7)	1
Share premium	1,490,772	—	—	1,490,772
Merger reserve	—	382	—	382
(Accumulated losses)/retained earnings. .	(59,480)	1,053,593	—	994,113
Other reserves.	—	155,764	—	155,764
Minority interest	—	(31,925)	—	(31,925)
	<u>1,431,293</u>	<u>1,177,821</u>		<u>2,609,107</u>

The consolidated balance sheets as at December 31, 2006:

	The Company	The Operating Group	Adjustments	Consolidated
	RMB’000	RMB’000	RMB’000	RMB’000
Investment in the Operating Group	—	—	—	—
Other assets — net	—	642,987	—	642,987
Net assets.	<u>—</u>	<u>642,987</u>		<u>642,987</u>
Share capital.	—	1	—	1
Merger reserve	—	382	—	382
Retained earnings	—	604,587	—	604,587
Other reserves.	—	38,017	—	38,017
	<u>—</u>	<u>642,987</u>		<u>642,987</u>

Note: The adjustments represent the elimination between the Company’s investment cost and the share capital of The Operating Group.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to June 30, 2009. In addition, except for those as disclosed in note 38 of Section II of this report, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to June 30, 2009.

Yours faithfully,
[PricewaterhouseCoopers]
Certified Public Accountants
 Hong Kong

APPENDIX IV

PROPERTY VALUATION REPORT

The following is the text of a letter, a summary of values and valuation certificates, prepared for the purpose of incorporation in this document, received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their valuations as at September 30, 2009 of the property interests of the Group.



Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2801 6100

F: (852) 2530 0756

EA Licence: C-023750
savills.com

[●] 2009

The Directors
Kaisa Group Holdings Ltd.
Suites 2001 & 2015–2016
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the properties held by Kaisa Group Holdings Ltd. (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”) and Hong Kong, we confirm that we have carried out inspections, made relevant inquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such properties as at September 30, 2009 (“Valuation Date”) for inclusion in this document.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes any estimated price inflated or deflated by special terms or circumstances such as atypical financing,

APPENDIX IV

PROPERTY VALUATION REPORT

sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by any entity associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In valuing the properties in Groups I and II, which are held for owner occupation and for sale respectively by the Group, we have adopted the “Direct Comparison Approach” by making reference to the comparable market transactions assuming sale with the benefit of vacant possession.

For properties in Groups III and IV, which are held under development and for future development respectively by the Group, we have valued the properties on the basis that they will be developed and completed in accordance with the Group’s latest development proposals provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for these proposals have been obtained. In arriving at our opinion of values, we have adopted the “Direct Comparison Approach” by making reference to the comparable sales transactions as available in the market and where appropriate, have taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.

For properties in Group V, which are held by the Group for investment, we have valued the properties by investment approach by capitalizing the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties.

For properties in Group VI and VII, which are rented and occupied by the Group in the PRC and Hong Kong, we have attributed no commercial value to the properties due to the prohibition against assignment or subletting of the properties or otherwise lack of substantial profit rent.

For properties in Group VIII, which are property interests contracted to be acquired by the Group while the Group has not yet obtained the State-owned Land Use Certificates and/or payment of the land premium has not yet been fully settled as at Valuation Date, we have attributed no commercial value to such properties.

We have been provided with copies of extracts of the title documents relating to the properties in the PRC. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied to a considerable extent on the information given by the Group and its PRC legal adviser, King & Wood, regarding the titles and other legal matters relating to the properties. We have also accepted advice given by the Group on such matters as planning approvals, statutory notices, easements, tenures, ownership, completion dates, particulars of occupancy, development proposals, expended and outstanding construction costs, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

We have inspected the exterior and, where possible, the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made, we are therefore unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

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PROPERTY VALUATION REPORT

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have had regard to the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The Valuation Standards on Properties (First Edition January 2005) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts are stated in Renminbi (“RMB”).

We enclose herewith a summary of values and valuation certificate.

Yours faithfully
for and on behalf of
Savills Valuation and Professional Services Limited

Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS(GP)
Managing Director

Note: Charles C K Chan, Chartered Estate Surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer and has about 25 years’ experience in the valuation of properties in Hong Kong and has about 20 years’ experience in the valuation of properties in PRC.

APPENDIX IV

PROPERTY VALUATION REPORT

SUMMARY OF VALUES

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)

Group I — Property interest held by the Group for owner occupation in the PRC

1.	Office Units Nos. 3303 and 3304, Kerry Centre, Renmin South Road, Luohu District, Shenzhen, Guangdong Province, PRC	12,510,000	100%	12,510,000
Sub-total				12,510,000

Group II — Property interests held by the Group for sale in the PRC

2.	Various commercial units of Shenzhen Kaisa Center, East of Shangbu South Road and North of Nanyuan Road, Futian District, Shenzhen, Guangdong Province, PRC	62,900,000	100%	62,900,000
3.	Various residential units of Shenzhen Kaisa Center, East of Shangbu South Road and North of Nanyuan Road, Futian District, Shenzhen, Guangdong Province, PRC	6,990,000	100%	6,990,000

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
4.	Various commercial units and clubhouse of Woodland Height, Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, PRC	124,740,000	100%	124,740,000
5.	Various residential units, commercial units and a clubhouse of Mocha Town, Busha Road, Longgang District, Shenzhen, Guangdong Province, PRC	158,900,000	100%	158,900,000
6.	Various portions of Phases I to V of Shenzhen Lake View Place, Junction of Xincheng Road and Pingxi Road, Longgang District, Shenzhen, Guangdong Province, PRC	415,800,000	100%	415,800,000
7.	Various office units of Guangzhou Jinmao Project, No. 191 TiYu West Road, Tianhe District, Guangzhou, Guangdong Province, PRC	229,000,000	100%	229,000,000

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
8.	Various portions of Phases I and II of Mingcui Garden, Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District, Shenzhen, Guangdong Province, PRC	566,200,000	100%	566,200,000
9.	Various residential and commercial units of Phase I of Zhongyang Haomen, Wangwuzhou Village, Shilong Town, Dongguan, Guangdong Province, PRC	106,800,000	100%	106,800,000
10.	Various commercial units of Shui'an Shancheng, Yantian Village, Fenggang Town, Dongguan, Guangdong Province, PRC	23,100,000	100%	23,100,000
11.	Various residential units of Phase I of Jiangyin Lake View Place, South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Road East, Jiangyin, Jiangsu Province, PRC	378,700,000	100%	378,700,000
12.	Various portions of Xiangrui Garden, North of Beihuan Highway, Nanshan District, Shenzhen, Guangdong Province, PRC	391,200,000	100%	391,200,000
			Sub-total	2,464,330,000

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
Group III — Property interests held by the Group under development in the PRC				
13.	Phase III of Mingcui Garden, Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District, Shenzhen, Guangdong Province, PRC	250,100,000	100%	250,100,000
14.	Guangzhou Kaisa Plaza, Lot No. B2-3 Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC	1,537,000,000	100%	1,537,000,000
15.	Phases II and III of Zhongyang Haomen, Wangwuzhou Village, Shilong Town, Dongguan, Guangdong Province, PRC	428,700,000	100%	428,700,000
16.	Phase II of Jiangyin Lake View Place, South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Road East, Jiangyin, Jiangsu Province, PRC	170,200,000	100%	170,200,000

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
17.	Dijingwan, Besides Government Square, Xincheng District, Shilong Town, Dongguan, Guangdong Province, PRC	597,200,000	100%	597,200,000
18.	Jincui Garden, Cuizhu Road, Luohu District, Shenzhen, Guangdong Province, PRC	747,100,000	100%	747,100,000
19.	Phase I of Huizhou Kaisa Center, No. 18 Sub-district, Jiangbei, Huizhou, Guangdong Province, PRC	364,600,000	100%	364,600,000
20.	Phase I of Dongjiang Haomen, South side of Dongjiang Avenue, Yangwu Village and Qishi Village, Qishi Town, Dongguan, Guangdong Province, PRC	165,000,000	100%	165,000,000
21.	Phase I of Lijing Harbor located at Groups 1 and 2, Ban Huafeng Village, Yongquan Street, Wenjiang District, Chengdu, Sichuan Province, PRC	544,400,000	100%	544,400,000

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
22.	Phase I of Shanghai Shanhuwan Garden, 26/16 Qiu, No. 1 Street, Fengxin Town, Fengxian District, Shanghai, PRC	329,800,000	100%	329,800,000
23.	Shangpin Garden, Bantian Street, Longgang District, Shenzhen, Guangdong Province, PRC	1,259,000,000	100%	1,259,000,000
24.	Phase I of Changsha Lake View Place, Tiaoma County Jinping Village, Changsha, Hunan Province, PRC	180,000,000	100%	180,000,000
Sub-total				6,573,100,000

Group IV — Property interests held by the Group for future development in the PRC

25.	Phase IV of Mingcui Garden, Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District, Shenzhen, Guangdong Province, PRC	75,500,000	100%	75,500,000

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
26.	Three parcels of land located at Shangsha Street, Wanzai District, Zhuhai, Guangdong Province, PRC	235,200,000	100%	235,200,000
27.	Li Langlu, located at Lilang Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, PRC	103,000,000	100%	103,000,000
28.	Phase IV of Zhongyang Haomen, Wangwuzhou Village, Shilong Town, Dongguan, Guangdong Province, PRC	95,300,000	100%	95,300,000
29.	Jincheng Heights located at Gutang’ao Miaozaikeng, Huizhou, Guangdong Province PRC	366,900,000	100%	366,900,000
30.	A parcel of land located at Erjiangsi Village, Huayang Town, Shuangliu County, Sichuan Province, PRC	1,542,000,000	100%	1,542,000,000

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
31.	Phases II to VI of Lijing Harbor located at Groups 1 and 2, Ban Huafeng Village, Yongquan Street, Wenjiang District, Chengdu, Sichuan Province, PRC	406,700,000	100%	406,700,000
32.	Two parcels of land located at Dongyong Village (close to Dongchong Beach), Nan’ao Town, Longgang District, Shenzhen, Guangdong Province, PRC	611,000,000	100%	611,000,000
33.	Phases II to VI of Changsha Lake View Place, Tiaoma County, Jinping Village, Changsha, Hunan Province, PRC	1,938,000,000	100%	1,938,000,000
34.	Phase III of Jiangyin Lake View Place, South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Road East, Jiangyin, Jiangsu Province, PRC	749,600,000	100%	749,600,000

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
35.	Phases II to IV of Shanghai Shanhuwan Garden, 26/16 Qiu, No. 1 Street, Fengxin Town, Fengxian District, Shanghai, PRC	74,600,000	100%	74,600,000
36.	Two parcels of land located at Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Boluo County, Huizhou, Guangdong Province, PRC	42,500,000	100%	42,500,000
37.	Thirteen parcels of land located at Guangdong Shuiku, Tonghu Town, Huizhou, Guangdong Province, PRC	1,190,600,000	100%	1,190,600,000
38.	Phases II and III of Huizhou Kaisa Center, No. 18 Sub-district, Jiangbei, Huizhou, Guangdong Province, PRC	932,800,000	100%	932,800,000

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
39.	Phases II and III of Dongjiang Haomen, South side of Dongjiang Avenue, Yangwu Village and Qishi Village and Qishi Town, Dongguan, Guangdong Province, PRC	292,600,000	100%	292,600,000
40.	Three parcels of land located at Jiangnan Section, Cuimei Garden Village Committee, Hengkeng, Luoyang Town, Boluo County, Huizhou, Guangdong Province, PRC	1,049,000,000	100%	1,049,000,000 (Note i)
41.	Chengdu Shangmao Garden located at Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County, Chengdu, Sichuan Province, PRC	816,700,000	100%	816,700,000
42.	Golden Bay Resort located at Xiasha Village, Dapeng Town, Longgang District, Shenzhen, Guangdong Province, PRC	260,000,000	100%	260,000,000
			Sub-total	10,782,000,000

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
Group V — Property interests held by the Group for investment in the PRC				
43.	Various commercial units of Shenzhen Kaisa Center, East of Shangbu South Road and North of Nanyuan Road, Futian District, Shenzhen, Guangdong Province, PRC	447,300,000	100%	447,300,000
44.	Various commercial units and clubhouse of Phases IV and VI of Woodland Height, Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, PRC	148,660,000	100%	148,660,000
45.	Various retail shops and car parks of Guangzhou Jinmao Project, No. 191 TiYu West Road, Tianhe District, Guangzhou, Guangdong Province, PRC	974,700,000	100%	974,700,000
			Sub-total	1,570,660,000

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
Group VI — Property interests rented by the Group in the PRC				
46.	Office Units Nos. 2906, 2907, 3301, 3302, 3305, 3306, 3307 and 3308 of Kerry Centre, Renmin South Road, Luohu District, Shenzhen, Guangdong Province, PRC			No commercial value
47.	Office Units Nos. 3710, 3715 and 3716 of Metro Plaza, Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong Province, PRC			No commercial value
48.	Levels 1 and 2, No. 1 Fuda Commercial/ Residential Building, No. 5017 Nanwan Nan Road, Wanzai Town, Xiangzhou District, Zhuhai, Guangdong Province, PRC			No commercial value
49.	Room Nos. 1001, 1002 and 1006 of Jinying Building, Shenghe Road, Nancheng District, Dongguan, Guangdong Province, PRC			No commercial value

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
50.	Room No. B1801, Block B of Patrons International Building, Jiangbei, No. 16 Sub-district, Huizhou, Guangdong Province, PRC			No commercial value
51.	Room Nos. 1091A, 1908, 1907, 1906 and 1905 of Chengdu Shangri-La Office Building, No. 9 Binjiang East Road, Chengdu, Sichuan Province, PRC			No commercial value
52.	Office Unit No. 2605 of Metro Plaza, Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong Province, PRC			No commercial value
53.	Room No. 03 on Level 12, Main Tower of Zhen Dan International Building, No. 99 Fucheng Road, New Pudong District, Shanghai, PRC			No commercial value
54.	An office unit on Level 19 of Jiangyin Hongsheng Commercial Building, No. 289–2 Renmin Middle Road, Jiangyin, Jiangsu Province, PRC			No commercial value

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)
55.	Room No. 2405 on Level 24 of North Tower, Yunda International Plaza, No. 478 Furong Middle Road Yi Duan, Changsha, Hunan Province, PRC			No commercial value
56.	Office No. 12 on Level 10, Office Tower W1 of The Towers, Oriental Plaza, No. 1 East Chang An Avenue, Beijing, PRC			No commercial value
Sub-total				No commercial value
Group VII — Property interest rented by the Group in Hong Kong				
57.	Suites 2001 and 2015–2016 on 20th Floor, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong			No commercial value
Sub-total				No commercial value

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at September 30, 2009 (RMB)	Interest attributable to the Group	Market value attributable to the Group as at September 30, 2009 (RMB)

Group VIII — Property interests contracted to be acquired by the Group in the PRC

58.	Fenglong Center located at Shennan Avenue, Futian District, Shenzhen, Guangdong Province, PRC			No commercial value (Note ii)
59.	Yantian located at Fengshen Avenue, Fenggang Town, Dongguan, Guangdong Province, PRC			No commercial value (Note iii)
60.	A parcel of land located at No. 99 Jiang Nan Avenue Central, Haizhu District, Guangzhou, Guangdong Province, PRC			No commercial value (Note iv)
61.	Three parcels of land located at East of Lake View Place, South of Mingxian Road, West of Dongwai Huang Road and North of Renmin Dong Road, Chengjiang Village, Jiangyin, Jiangsu Province, PRC			No commercial value (Note v)

Sub-total No commercial value

Grand Total 21,402,600,000

APPENDIX IV

PROPERTY VALUATION REPORT

Notes:

- i. In the course of our valuation, we have ascribed no commercial value to Land Lot Nos. 2008 (Chu Bei) 7 and 8 of the property. Had the Group obtained the state-owned land use certificates for the two parcels of land and fully settled the land premium as at the Valuation Date, the market value of the two parcels of land was estimated to be RMB3,385,500,000. Please refer to page 145 for the details of this property.
- ii. In the course of our valuation, we have ascribed no commercial value to the property. Had the Group obtained the state-owned land use certificate for the land and fully settled the land premium as at the Valuation Date, the market value of the land was estimated to be RMB1,554,800,000. Please refer to page 179 for the details of this property.
- iii. In the course of our valuation, we have ascribed no commercial value to the property. Had the Group obtained the state-owned land use certificate for the land and fully settled the land premium as at the Valuation Date, the market value of the land was estimated to be RMB234,500,000. Please refer to page 181 for the details of this property.
- iv. In the course of our valuation, we have ascribed no commercial value to the property. Had the Group obtained the state-owned land use certificate for the land and fully settled the land premium as at the Valuation Date, the market value of the land was estimated to be RMB496,000,000. Please refer to page 182 for the details of this property.
- v. In the course of our valuation, we have ascribed no commercial value to the property. Had the Group obtained the state-owned land use certificate for the land and fully settled the land premium as the Valuation Date, the market value of the land was estimated to be RMB1,056,400,000. Please refer to page 183 for the details of this property.

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VALUATION CERTIFICATE

Group I — Property interest held by the Group for owner occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
1.	Office Units Nos. 3303 and 3304, Kerry Centre, Renmin South Road, Luohu District, Shenzhen, Guangdong Province, PRC	The property comprises two office units on Level 33 of a 35-storey office building plus a 3-level basement car park completed in 1997. The property has a total gross floor area of approximately 541.76 sq.m. (5,832 sq.ft.). The land use rights of the property have been granted for a term of 50 years commencing on June 28, 1993 and expiring on June 27, 2043 for commercial and office uses.	The property is occupied by the Group for office use.	RMB12,510,000 (100% interest attributable to the Group: RMB12,510,000)

Notes:

1. Pursuant to two Real Estate Title Certificates Nos. Shen Fang Di Zi 2000285997 and 2000285998 issued by the People’s Government of Shenzhen, the building ownership and its underlying land use rights of the property with a total gross floor area of approximately 541.76 sq.m. are held by Kaisa Property (Shenzhen) Co., Ltd. (佳兆業地產（深圳）有限公司) (“Shenzhen Kaisa Property”), a wholly-owned subsidiary of the Company for a term of 50 years commencing on June 28, 1993 and expiring on June 27, 2043 for commercial and office uses.
2. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Shenzhen Kaisa Property has obtained the Real Estate Title Certificates for the buildings of the property. Shenzhen Kaisa Property legally owns the building ownership and the underlying land use rights of the property;
 - ii. Shenzhen Kaisa Property is entitled to occupy, use, lease, transfer, mortgage or by other legal means dispose of the building and its underlying land use rights of the property within the land use term; and

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iii. the property is not subject to any mortgage or other third party’s encumbrance.

3. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Yes

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Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
2.	Various commercial units of Shenzhen Kaisa Center, East of Shangbu South Road and North of Nanyuan Road, Futian District, Shenzhen, Guangdong Province, PRC	Shenzhen Kaisa Center (the “Development”) comprises two 29-storey commercial/office/apartment buildings over a 3-storey basement car park. It was completed in August 2006. The property under consideration comprises various unsold commercial units of the Development. The total gross floor area of the property is approximately 3,262.88 sq.m. (35,122 sq.ft.) The land use rights of the property have been granted for a term of 50 years commencing on November 18, 2005 and expiring on November 17, 2055 for commercial and apartment uses.	Portion of the property with a total gross floor area of approximately 1,541.34 sq.m. is subject to various tenancies with the latest one expiring on April 30, 2011 at a total monthly rental of approximately RMB134,500. The remaining portion of the property is occupied by the Group for office use.	RMB62,900,000 (100% interest attributable to the Group: RMB62,900,000)

Notes:

- Pursuant to two Real Estate Title Certificates Nos. Shen Fang Di Zi 3000456861 and 3000456863 issued by the People’s Government of Shenzhen, the building ownership and its underlying land use rights of, *inter alia*, the property with a total gross floor area of approximately 22,818.54 sq.m. is held by Shenzhen Jililong Shiye Co., Ltd. (深圳市吉利隆實業有限公司) (“Shenzhen Jililong”), a wholly-owned subsidiary of the Company, for a term of 50 years commencing on November 18, 2005 and expiring on November 17, 2055 for commercial and apartment uses.

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2. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Shenzhen Jililong has obtained the Real Estate Title Certificates for the buildings of the property. Shenzhen Jililong legally owns the building ownership and the underlying land use rights of the property;
 - ii. Shenzhen Jililong is entitled to occupy, use, lease, transfer, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portions referred to in Notes 2. iii. and iv. below;
 - iii. for the portion of the property which is subject to various tenancies, the tenancy agreements concerned are legal, valid, binding on the parties thereto and enforceable. Such tenancy agreements have been registered. Shenzhen Jililong’s right as landlord under such tenancy agreements (including the right to collect rental thereunder) is recognized and protected by PRC laws. Within the terms of such tenancies, Shenzhen Jililong shall have to notify the relevant tenant for transferring and re-leasing of such portion of the property and the relevant tenant has the right of first refusal to purchase such portion of the property;
 - iv. the property subject to Real Estate Title Certificates Nos. Shen Fang Di Zi 3000456861 and 3000456863 is mortgaged. During the effective period of the mortgage, Shenzhen Jililong shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property; and
 - v. the property is not subject to any mortgage or other third party’s encumbrance save for the portions referred to in Notes 2. iii. and iv. above.

3. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Yes

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
3.	Various residential units of Shenzhen Kaisa Center, East of Shangbu South Road and North of Nanyuan Road, Futian District, Shenzhen, Guangdong Province, PRC	Shenzhen Kaisa Center (the “Development”) comprises two 29-storey commercial/office/apartment buildings over a 3-storey basement car park. It was completed in August 2006. The property under consideration comprises various unsold residential units of the Development. The total gross floor area of the property is approximately 372.53 sq.m. (4,010 sq.ft.). The land use rights of the property have been granted for a term of 50 years commencing on November 18, 2005 and expiring on November 17, 2055 for commercial and apartment uses.	The property is currently vacant.	RMB6,990,000 (100% interest attributable to the Group: RMB6,990,000)

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Notes:

1. Pursuant to ten Real Estate Title Certificates all issued by the People’s Government of Shenzhen on March 8, 2007, the building ownership and its underlying land use rights of the property with a total gross floor area of approximately 372.53 sq.m. are held by Shenzhen Jililong for a term of 50 years commencing on November 18, 2005 and expiring on November 17, 2055 for commercial and apartment uses. Details of such certificates are as follows:

No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(1)	Unit A701	Shen Fang Di Zi 3000456865	19.31
(2)	Unit A734	Shen Fang Di Zi 3000456866	19.31
(3)	Unit A2928	Shen Fang Di Zi 3000451730	21.63
(4)	Unit B2820	Shen Fang Di Zi 3000456872	31.57
(5)	Unit B2821	Shen Fang Di Zi 3000456874	35.16
(6)	Unit B2822	Shen Fang Di Zi 3000456875	32.01
(7)	Unit B2823	Shen Fang Di Zi 3000456876	58.26
(8)	Unit B2824	Shen Fang Di Zi 3000456878	39.84
(9)	Unit B2826	Shen Fang Di Zi 3000456880	68.88
(10)	Unit B2831	Shen Fang Di Zi 3000456881	46.56
Total			372.53

2. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Shenzhen Jililong has obtained the Real Estate Title Certificates for the buildings of the property. Shenzhen Jililong legally owns the building ownership and the underlying land use rights of the property;
 - ii. Shenzhen Jililong is entitled to occupy, use, lease, transfer, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term; and
 - iii. the property is not subject to any mortgage or other third party’s encumbrance.
3. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Yes

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009												
4.	Various commercial units and clubhouse of Woodland Height, Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, PRC	Woodland Height (the “Development”) is a large-scale residential development completed in various stages between 2001 and 2006. The property under consideration comprises a number of unsold units in the residential and commercial buildings and a clubhouse of the Development. The total gross floor area of the property is approximately 8,366.55 sq.m. (90,058 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th>Gross Floor Area (sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Retail</td><td>351.91</td><td>3,788</td></tr><tr><td>Clubhouse</td><td><u>8,014.64</u></td><td><u>86,270</u></td></tr><tr><td>Total</td><td><u><u>8,366.55</u></u></td><td><u><u>90,058</u></u></td></tr></table> The land use rights of the property have been granted for terms expiring on September 4, 2062, June 2, 2063 and March 1, 2074 for residential and commercial/ residential uses respectively.	Use	Gross Floor Area (sq.m.)	(sq.ft.)	Retail	351.91	3,788	Clubhouse	<u>8,014.64</u>	<u>86,270</u>	Total	<u><u>8,366.55</u></u>	<u><u>90,058</u></u>	Portion of the property with a total gross floor area of approximately 1,338.00 sq.m. is subject to various tenancies with the latest one expiring on April 30, 2015 at a total monthly rental of approximately RMB20,440. The remaining portion of the property is currently vacant.	RMB124,740,000 (100% interest attributable to the Group: RMB124,740,000)
Use	Gross Floor Area (sq.m.)	(sq.ft.)														
Retail	351.91	3,788														
Clubhouse	<u>8,014.64</u>	<u>86,270</u>														
Total	<u><u>8,366.55</u></u>	<u><u>90,058</u></u>														

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Notes:

1. Pursuant to ten Real Estate Title Certificates all issued by the People’s Government of Shenzhen, the building ownership and its underlying land use rights of portion of the property with a total gross floor area of approximately 8,244.00 sq.m. are held by Shenzhen Kaisa Property whilst the building ownership and its underlying land use rights of the remaining portion of the property with a total gross floor area of approximately 122.55 sq.m. are held by Regal Silver Shiye (Shenzhen) Co., Ltd. (靈菊實業（深圳）有限公司) (“Regal Silver”), a wholly-owned subsidiary of the Company for terms expiring on September 4, 2062, June 2, 2063 and March 1, 2074 for residential and commercial/residential uses respectively. Details of such certificates are as follows:

No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(1)	Clubhouse, Phase II	Shen Fang Di Zi 6000072751	8,014.64
(2)	Unit A-003, Phase VI	Shen Fang Di Zi 6000215454	51.26
(3)	Unit A-009, Phase VI	Shen Fang Di Zi 6000215453	18.73
(4)	Unit A-017, Phase VI	Shen Fang Di Zi 6000215452	38.04
(5)	Unit 2-1002, Phase VI	Shen Fang Di Zi 6000215449	21.71
(6)	Unit 2-1003, Phase VI	Shen Fang Di Zi 6000215447	18.27
(7)	Unit 2-0791, Phase VI	Shen Fang Di Zi 6000215450	19.81
(8)	Unit 2-0952, Phase VI	Shen Fang Di Zi 6000272753	61.54
(9)	Unit D104, Phase VIII	Shen Fang Di Zi 6000261118	53.57
(10)	Unit D109, Phase VIII	Shen Fang Di Zi 6000261121	68.98
Total			8,366.55

2. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Shenzhen Kaisa Property and Regal Silver have obtained the Real Estate Title Certificates for the buildings of the property. Shenzhen Kaisa Property and Regal Silver legally own the building ownership and the underlying land use rights of the property;
 - ii. Shenzhen Kaisa Property and Regal Silver are entitled to occupy, use, lease, transfer, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use terms save for the portion referred to in Note 2. iii. below;
 - iii. for the portion of the property which is subject to various tenancies, the tenancy agreements concerned are legal, valid, binding on the parties thereto and enforceable. Such tenancy agreements have been registered. Shenzhen Jililong’s right as landlord under such tenancy agreements (including the right to collect rental thereunder) is recognized and protected by PRC laws. Within the terms of such tenancies, Shenzhen

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Jililong shall have to notify the relevant tenant for transferring and re-leasing of such portion of the property and the relevant tenant has the right of first refusal to purchase such portion of the property; and

- iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 2. iii. above.
3. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Yes

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																		
5.	Various residential units, commercial units and a clubhouse of Mocha Town, Busha Road, Longgang District, Shenzhen, Guangdong Province, PRC	Mocha Town (the “Development”) is a large-scale residential development developed on five parcels of land with a total site area of approximately 185,724.23 sq.m. (1,999,136 sq.ft.). The Development was developed in seven phases providing 19 residential blocks with ancillary facilities such as shops, car parks, two kindergartens and a school. It was completed in various stages between May 2005 to November 2008. The property comprises a number of residential units, commercial units and a clubhouse. The total gross floor area of the property is approximately 9,202.08 sq.m. (99,051 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>1,788.34</td><td>19,250</td></tr><tr><td>Commercial</td><td>3,917.64</td><td>42,169</td></tr><tr><td>Clubhouse</td><td><u>3,496.10</u></td><td><u>37,632</u></td></tr><tr><td>Total</td><td><u><u>9,202.08</u></u></td><td><u><u>99,051</u></u></td></tr></table> The land use rights of the property have been granted for terms of 70 years expiring on July 2, 2071 and February 28, 2074 for residential use and a term of 40 years expiring on July 2, 2041 for commercial use.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	1,788.34	19,250	Commercial	3,917.64	42,169	Clubhouse	<u>3,496.10</u>	<u>37,632</u>	Total	<u><u>9,202.08</u></u>	<u><u>99,051</u></u>	Portion of the commercial units of the property with a total gross floor area of approximately 2,520.77 sq.m. is subject to various tenancies with the latest one expiring on April 30, 2017 at a total monthly rental of approximately RMB86,820.15. The remaining portion of the property is currently vacant.	RMB158,900,000 (100% interest attributable to the Group: RMB158,900,000)
Use	Gross Floor Area																					
	(sq.m.)	(sq.ft.)																				
Residential	1,788.34	19,250																				
Commercial	3,917.64	42,169																				
Clubhouse	<u>3,496.10</u>	<u>37,632</u>																				
Total	<u><u>9,202.08</u></u>	<u><u>99,051</u></u>																				

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Notes:

- Pursuant to five Real Estate Title Certificates all issued by the People’s Government of Shenzhen, the land use rights of the Development with a total site area of approximately 185,724.23 sq.m. have been granted to Shenzhen Kaisa Property. Details of such certificates are as follows:

No.	Phase	Certificate No.	Site Area (sq.m.)	Land Use Term	Use
(1)	I	Shen Fang Di Zi 6000110638	30,610.13	40 years from July 3, 2001 70 years from July 3, 2001	Commercial Residential
(2)	II	Shen Fang Di Zi 6000110637	16,187.40	70 years from July 3, 2001	Residential
(3)	III	Shen Fang Di Zi 6000135951	21,917.86	70 years from July 3, 2001	Residential
(4)	IV	Shen Fang Di Zi 6000160783	31,494.90	70 years from July 3, 2001	Residential
(5)	V, VI and VII	Shen Fang Di Zi 6000216659	85,513.94	70 years from March 1, 2004	Commercial/ Residential
Total			<u>185,724.23</u>		

- Pursuant to Pre-sale Permit No. Shen Fang Xu Zi (2006) Longgang 63 issued by Shenzhen Land Resources and Housing Administrative, Blocks of 16 and 17 of the development with a total gross floor area of approximately 96,261.87 sq.m. is permitted for pre-sell.
- Pursuant to Completed Construction Works Surveying Report issued by Shenzhen Land Surveying and Mapping Brigade, Block 16 of the Development has a total gross floor area of approximately 76,814.16 sq.m.
- Pursuant to various Real Estate Title Certificates all issued by the People’s Government of Shenzhen, the building ownership and its underlying land use rights of portion of the property with a total gross floor area of approximately 9,091.98 sq.m. is held by Shenzhen Kaisa Property. Details of such certificates are as follows:

No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(1)	Phase I Block 1 Units 114	Shen Fang Di Zi 6000196303	47.77
(2)	Phase I Block 1 Unit 115	Shen Fang Di Zi Di 6000196299	44.85
(3)	Phase I Block 1 Unit 116	Shen Fang Di Zi Di 6000196296	42.51
(4)	Phase I Block 1 Unit 117	Shen Fang Di Zi Di 6000196294	30.35
(5)	Phase I Block 1 Unit 118	Shen Fang Di Zi Di 6000196290	49.78
(6)	Phase I Block 1 Unit 119	Shen Fang Di Zi Di 6000196287	48.63
(7)	Phase I Block 1 Unit 120	Shen Fang Di Zi Di 6000196286	39.46
(8)	Phase I Block 1 Unit 121	Shen Fang Di Zi 6000196284	36.25
(9)	Phase I Block 1 Unit 122	Shen Fang Di Zi Di 6000196280	59.70
(10)	Phase I Block 1 Unit 123	Shen Fang Di Zi Di 6000196277	67.27
(11)	Phase I Block 4 Unit 108	Shen Fang Di Zi 6000196308	38.83
(12)	Phase I Block 4 Clubhouse 109	Shen Fang Di Zi 6000187087	790.80

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(13)	Phase I Block 4 Clubhouse 202	Shen Fang Di Zi 6000187088	447.48
(14)	Phase I Block 4 Clubhouse 301	Shen Fang Di Zi 6000187089	924.83
(15)	Phase III Block 9 Unit 116	Shen Fang Di Zi 6000232245	48.21
(16)	Phase III Block 10 Unit 151	Shen Fang Di Zi 6000232266	119.86
(17)	Phase IV Block 11 Unit 130	Shen Fang Di Zi 6000254387	46.27
(18)	Phase IV Block 12 Unit 142	Shen Fang Di Zi 6000254382	157.78
(19)	Phase IV Block 12 Unit 143	Shen Fang Di Zi 6000254383	203.58
(20)	Phase IV Block 12 Unit 144	Shen Fang Di Zi 6000254385	178.26
(21)	Phase IV Block 12 Unit 145	Shen Fang Di Zi 6000254379	119.24
(22)	Phase IV Block 12 Unit 2-148	Shen Fang Di Zi 6000254374	57.25
(23)	Phase IV Block 12 Unit 2-168	Shen Fang Di Zi 6000254343	60.98
(24)	Phase IV Block 13 Unit 104	Shen Fang Di Zi 6000254439	60.61
(25)	Phase V Unit 101	Shen Fang Di Zi 6000281763	1,125.39
(26)	Phase V Clubhouse 201	Shen Fang Di Zi 6000281762	436.38
(27)	Phase V Clubhouse 305	Shen Fang Di Zi 6000283085	50.60
(28)	Phase V Clubhouse 101	Shen Fang Di Zi 6000283086	216.01
(29)	Phase V Clubhouse 302	Shen Fang Di Zi 6000283087	341.21
(30)	Phase V Clubhouse 203	Shen Fang Di Zi 6000283088	64.93
(31)	Phase V Clubhouse 204	Shen Fang Di Zi 6000283089	59.80
(32)	Phase V Clubhouse 202	Shen Fang Di Zi 6000283090	276.49
(33)	Phase V Clubhouse 201	Shen Fang Di Zi 6000283091	323.95
(34)	Phase VI Block 16 Unit 101	Shen Fang Di Zi 6000301160	80.77
(35)	Phase VI Block 16 Unit 108	Shen Fang Di Zi 6000301159	28.04
(36)	Phase VI Block 17 Unit 134	Shen Fang Di Zi 6000301149	47.28
(37)	Phase VII Block 19 Unit 1089	Shen Fang Di Zi 6000355620	48.06
(38)	Phase VII Block 19 Unit 1090	Shen Fang Di Zi 6000355575	45.86
(39)	Phase VII Block 19 Unit 1091	Shen Fang Di Zi 6000355586	41.49
(40)	Phase VII Block 19 Unit 1092	Shen Fang Di Zi 6000355584	30.01
(41)	Phase VII Block 19 Unit 1093	Shen Fang Di Zi 6000355572	49.28
(42)	Phase VII Block 19 Unit 1094	Shen Fang Di Zi 6000355585	29.64
(43)	Phase VII Block 19 Unit 1095	Shen Fang Di Zi 6000355583	29.98
(44)	Phase VII Block 19 Unit 1096	Shen Fang Di Zi 6000355582	41.97
(45)	Phase VII Block 19 Unit 1097	Shen Fang Di Zi 6000355591	30.44
(46)	Phase VII Block 19 Unit 1098	Shen Fang Di Zi 6000355590	45.72
(47)	Phase VII Block 19 Unit 1099	Shen Fang Di Zi 6000355573	51.56
(48)	Phase VII Block 19 Unit 1100	Shen Fang Di Zi 6000355589	30.01
(49)	Phase VII Block 19 Unit 1101	Shen Fang Di Zi 6000355588	29.34
(50)	Phase VII Block 19 Unit 1102	Shen Fang Di Zi 6000355587	36.03
(51)	Phase VII Block 19 Unit 1103	Shen Fang Di Zi 6000355577	45.91
(52)	Phase VII Block 19 Unit 1104	Shen Fang Di Zi 6000355574	57.04
(53)	Phase VII Block 19 C-305	Shen Fang Di Zi 6000355580	76.06
(54)	Phase VII Block 19 C-306	Shen Fang Di Zi 6000355579	62.21
(55)	Phase VII Block 19 A-305	Shen Fang Di Zi 6000355176	87.39
(56)	Phase VII Block 18 A-307	Shen Fang Di Zi 6000355175	87.68

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(57)	Phase VII Block 18 A-308	Shen Fang Di Zi 6000355188	74.54
(58)	Phase VII Block 18 C-502	Shen Fang Di Zi 6000355177	87.68
(59)	Phase VII Block 18 C-702	Shen Fang Di Zi 6000355178	87.68
(60)	Phase VII Block 18 C-902	Shen Fang Di Zi 6000355179	87.68
(61)	Phase VII Block 18 C-1102	Shen Fang Di Zi 6000355180	87.68
(62)	Phase VII Block 18 C-1302	Shen Fang Di Zi 6000355187	87.68
(63)	Phase VII Block 18 C-1502	Shen Fang Di Zi 6000355184	87.68
(64)	Phase VII Block 18 C-1702	Shen Fang Di Zi 6000355185	87.68
(65)	Phase VII Block 18 C-1902	Shen Fang Di Zi 6000355186	87.68
(66)	Phase VII Block 18 C-2102	Shen Fang Di Zi 6000355183	87.68
(67)	Phase VII Block 18 D-308	Shen Fang Di Zi 6000355231	86.78
(68)	Phase VII Block 18 C-2303	Shen Fang Di Zi 6000355230	87.68
(69)	Phase VII Block 19 A-301	Shen Fang Di Zi 6000355182	79.28
(70)	Phase VII Block 19 A-307	Shen Fang Di Zi 6000355181	110.82
(71)	Phase VII Block 19 D-205	Shen Fang Di Zi 6000355578	75.25
(72)	Phase VII Block 19 D-206	Shen Fang Di Zi 6000355576	61.43
Total			9,091.98

5. As advised by the Company, the Company is now in the process of obtaining the Real Estate Title Certificates for the remaining portion of the property.
6. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Shenzhen Kaisa Property has obtained the Real Estate Title Certificate for part of the buildings of the property. Shenzhen Kaisa Property legally owns the building ownership and the underlying land use rights of the property. Shenzhen Kaisa Property is entitled to occupy, use, transfer or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 6. ii. below;
 - ii. for the portion of the property which is subject to various tenancies, the tenancy agreements concerned are legal, valid, binding on the parties thereto and enforceable. Such tenancy agreements have been registered. Shenzhen Kaisa Property’s right as landlord under such tenancy agreements (including the right to collect rental thereunder) is recognized and protected by PRC laws. Within the terms of such tenancies, Shenzhen Kaisa Property shall have to notify the relevant tenant for transferring and re-leasing of such portion of the property and the relevant tenant has the right of first refusal to purchase such portion of the property;
 - iii. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 6. ii. above.
7. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Yes

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																		
6.	Various portions of Phases I to V of Shenzhen Lake View Place, Junction of Xincheng Road and Pingxi Road, Longgang District, Shenzhen, Guangdong Province, PRC	Shenzhen Lake View Place (the “Development”) is a large-scale residential development comprising 42 residential blocks with ancillary facilities such as shops and car parks developed in five phases, namely Phases I to V, on three parcels of land with a total site area of approximately 182,063.79 sq.m. (1,959,735 sq.ft.). As advised by the Company, a kindergarten and a school of the Development are developed on two separate parcels of land with site area of 2,704.34 sq.m. (29,110 sq.ft.) and 27,001.97 sq.m. (290,649 sq.ft.) respectively. The Development was completed in various stages between 2006 to 2008. The property under consideration comprises 184 residential units, 69 commercial units and a health service center of the Development. The total gross floor area of the property is approximately 37,421.51 sq.m. (402,806 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><th></th><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>18,437.87</td><td>198,465</td></tr><tr><td>Commercial</td><td>18,378.16</td><td>197,823</td></tr><tr><td>Health service center</td><td><u>605.54</u></td><td><u>6,518</u></td></tr><tr><td>Total</td><td><u><u>37,421.57</u></u></td><td><u><u>402,806</u></u></td></tr></table> The land use rights of the property have been granted for a term of 70 years expiring on December 29, 2074 for residential and commercial uses.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	18,437.87	198,465	Commercial	18,378.16	197,823	Health service center	<u>605.54</u>	<u>6,518</u>	Total	<u><u>37,421.57</u></u>	<u><u>402,806</u></u>	Portion of the commercial units of the property with a total gross floor area of approximately 2,149.59 sq.m. is subject to various tenancies with the latest one expiring on April 30, 2022 at a total monthly rental of approximately RMB161,651.25. The remaining portion of the property is currently vacant.	RMB415,800,000 (100% interest attributable to the Group: RMB415,800,000 (please see Note 5))
Use	Gross Floor Area																					
	(sq.m.)	(sq.ft.)																				
Residential	18,437.87	198,465																				
Commercial	18,378.16	197,823																				
Health service center	<u>605.54</u>	<u>6,518</u>																				
Total	<u><u>37,421.57</u></u>	<u><u>402,806</u></u>																				

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Notes:

- Pursuant to three Real Estate Title Certificates issued by the People’s Government of Shenzhen on August 22, 2005, the land use rights of the Development with a total site area of approximately 182,063.79 sq.m. have been granted to Kaisa Technology (Shenzhen) Co., Ltd. (佳兆業科技(深圳)有限公司) (“Kaisa Technology”), a wholly-owned subsidiary of the Company, for various terms, details of such certificates are as follows:

No.	Phase	Certificate No.	Site Area (sq.m.)	Land Use Term	Use
(1)	I, IV and V	Shen Fang Di Zi 6000177348	128,662.98	70 years commencing on December 30, 2004	Residential/ commercial
(2)	II	Shen Fang Di Zi 6000177353	31,245.42	70 years commencing on December 30, 2004	Residential/ commercial
(3)	III	Shen Fang Di Zi 6000177351	22,155.39	70 years commencing on December 30, 2004	Residential/ commercial
Total			<u>182,063.79</u>		

- Pursuant to ten Pre-sale Permits issued by Shenzhen Land Resources and Housing Administrative Bureau, portion of the property with a total gross floor area of approximately 292,406.95 sq.m. is permitted for pre-sale. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)
(1)	Blocks 1 to 11	Shen Fang Xu Zi (2006) Long Gang 011	55,331.41
(2)	Blocks 12 and 13	Shen Fang Xu Zi (2006) Long Gang 019	11,756.06
(3)	Block 14	Shen Fang Xu Zi (2006) Long Gang 033	6,547.16
(4)	Blocks 15 and 16	Shen Fang Xu Zi (2006) Long Gang 044	17,713.66
(5)	Blocks 17 to 20	Shen Fang Xu Zi (2006) Long Gang 069	31,831.37
(6)	Blocks 22, 24 to 28	Shen Fang Xu Zi (2007) Long Gang 064	32,603.56
(7)	Block 23	Shen Fang Xu Zi (2007) Long Gang 044	17,657.27
(8)	Blocks 29 to 37	Shen Fang Xu Zi (2008) Long Gang 003	17,146.00
(9)	Blocks 39 and 40	Shen Fang Xu Zi (2008) Long Gang 012	46,432.94
(10)	Blocks 38, 41 and 42	Shen Fang Xu Zi (2008) Long Gang 030	<u>55,387.52</u>
Total			<u>292,406.95</u>

- Pursuant to various Completed Construction Works Surveying Reports issued by Shenzhen Land Resources and Housing Administrative Bureau, the Development with the approved construction scale of approximately 388,626.42 sq.m. was completed.

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4. Pursuant to various Real Estate Title Certificates all issued by the People’s Government of Shenzhen, the building ownership of portion of the property with a total gross floor area of approximately 29,759.95 sq.m. is held by Kaisa Technology. Details of such certificates are as follows:

No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(1)	1-256	Shen Fang Di Zi No.6000266554	605.54
(2)	1SP1-101	Shen Fang Di Zi No.6000255708	108.20
(3)	1SP1-114	Shen Fang Di Zi No.6000255548	62.88
(4)	1SP1-115	Shen Fang Di Zi No.6000255611	62.88
(5)	1SP1-116	Shen Fang Di Zi No.6000255703	62.88
(6)	1SP1-117	Shen Fang Di Zi No.6000255624	80.70
(7)	1SP1-128	Shen Fang Di Zi No.6000255568	40.56
(8)	1SP1-129	Shen Fang Di Zi No.6000255570	336.57
(9)	1SP1-134	Shen Fang Di Zi No.6000255557	255.54
(10)	1SP1-135	Shen Fang Di Zi No.6000255627	797.28
(11)	1SP1-136	Shen Fang Di Zi No.6000255555	86.28
(12)	1SP2-252	Shen Fang Di Zi No.6000255724	1,233.69
(13)	1SP2-253	Shen Fang Di Zi No.6000255723	641.50
(14)	1SP2-254	Shen Fang Di Zi No.6000255722	357.88
(15)	2SP-130	Shen Fang Di Zi No.6000255720	37.74
(16)	14SP-101	Shen Fang Di Zi No.6000255704	3,949.91
(17)	14SP-104	Shen Fang Di Zi No.6000255712	50.15
(18)	14SP-105	Shen Fang Di Zi No.6000255713	50.15
(19)	14SP-109	Shen Fang Di Zi No.6000255580	50.15
(20)	14SP-110	Shen Fang Di Zi No.6000255603	50.15
(21)	14SP-111	Shen Fang Di Zi No.6000255732	50.15
(22)	15SP-101	Shen Fang Di Zi No.6000306669	103.92
(23)	15SP-102	Shen Fang Di Zi No.6000306670	62.47
(24)	15SP-104	Shen Fang Di Zi No.6000307071	128.98
(25)	15SP-106	Shen Fang Di Zi No.6000307129	104.80
(26)	15SP-107	Shen Fang Di Zi No.6000307076	134.44
(27)	15SP-108	Shen Fang Di Zi No.6000307077	162.41
(28)	15SP-109	Shen Fang Di Zi No.6000307127	142.51
(29)	15SP-110	Shen Fang Di Zi No.6000307168	134.61
(30)	15SP-111	Shen Fang Di Zi No.6000307128	104.42
(31)	15SP-117	Shen Fang Di Zi No.6000307107	117.82
(32)	15SP-119	Shen Fang Di Zi No.6000306672	90.80
(33)	15SP-120	Shen Fang Di Zi No.6000307167	36.87
(34)	16SP-103	Shen Fang Di Zi No.6000307166	59.85
(35)	16SP-130	Shen Fang Di Zi No.6000307164	40.12
(36)	17SP-102	Shen Fang Di Zi No.6000307163	52.03
(37)	17SP-104	Shen Fang Di Zi No.6000307074	36.31
(38)	17SP-105	Shen Fang Di Zi No.6000306673	47.24
(39)	21SP-101	Shen Fang Di Zi No.6000307162	31.99
(40)	21SP-102	Shen Fang Di Zi No.6000306671	31.08
(41)	21SP-103	Shen Fang Di Zi No.6000307161	31.08

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(42)	21SP-104	Shen Fang Di Zi No.6000307109	31.08
(43)	21SP-105	Shen Fang Di Zi No.6000307130	31.08
(44)	21SP-106	Shen Fang Di Zi No.6000307159	31.08
(45)	21SP-107	Shen Fang Di Zi No.6000307156	32.00
(46)	21SP-108	Shen Fang Di Zi No.6000306674	499.72
(47)	21SP-201	Shen Fang Di Zi No.6000307075	1,030.69
(48)	21SP-301	Shen Fang Di Zi No.6000307132	791.31
(49)	29SP-101	Shen Fang Di Zi No.6000255729	144.09
(50)	29SP-102	Shen Fang Di Zi No.6000255697	234.67
(51)	29SP-103	Shen Fang Di Zi No.6000255711	230.47
(52)	29SP-104	Shen Fang Di Zi No.6000255621	230.47
(53)	2J-101	Shen Fang Di Zi No.6000255678	257.17
(54)	SA7-101	Shen Fang Di Zi No.6000255680	201.47
(55)	SA7-103	Shen Fang Di Zi No.6000255696	244.32
(56)	SA7-104	Shen Fang Di Zi No.6000255715	253.00
(57)	SA7-107	Shen Fang Di Zi No.6000255690	116.26
(58)	SA8-110	Shen Fang Di Zi Di 6000368858	81.23
(59)	SA8-111	Shen Fang Di Zi Di 6000368871	77.63
(60)	SA9-112	Shen Fang Di Zi Di 6000368877	81.23
(61)	SA13-102	Shen Fang Di Zi Di 6000368885	80.40
(62)	SA-29-105	Shen Fang Di Zi Di 6000368891	79.67
(63)	SA-29-108	Shen Fang Di Zi Di 6000368899	86.89
(64)	SA-29-201	Shen Fang Di Zi Di 6000368900	134.21
(65)	SA-29-203	Shen Fang Di Zi Di 6000368903	134.28
(66)	SA-29-205	Shen Fang Di Zi Di 6000368589	66.99
(67)	SA-29-206	Shen Fang Di Zi Di 6000368593	79.69
(68)	SA-29-208	Shen Fang Di Zi Di 6000368598	62.06
(69)	SA-30-205	Shen Fang Di Zi Di 6000366619	223.83
(70)	SA-31-101	Shen Fang Di Zi Di 6000366622	62.40
(71)	SA-31-201	Shen Fang Di Zi Di 6000366623	223.87
(72)	SA-33-101	Shen Fang Di Zi Di 6000366319	253.58
(73)	SA-35-109	Shen Fang Di Zi Di 6000370394	135.60
(74)	SA-36-101	Shen Fang Di Zi Di 6000370396	80.56
(75)	SA-38A-206	Shen Fang Di Zi Di 6000370399	87.12
(76)	SA-38A-208	Shen Fang Di Zi Di 6000370402	80.43
(77)	SA-38A-2401	Shen Fang Di Zi Di 6000370403	79.70
(78)	SA-38A-2402	Shen Fang Di Zi Di 6000370405	134.21
(79)	SA-38A-2403	Shen Fang Di Zi Di 6000370408	77.28
(80)	SA-38A-2405	Shen Fang Di Zi Di 6000370411	80.94
(81)	SA-38A-2501	Shen Fang Di Zi Di 6000368505	77.47
(82)	SA-38A-2502	Shen Fang Di Zi Di 6000366432	64.11
(83)	SA-38A-2503	Shen Fang Di Zi Di 6000366433	224.18
(84)	SA-38A-2505	Shen Fang Di Zi Di 6000366765	86.87
(85)	SA-38A-2506	Shen Fang Di Zi Di 6000368535	87.11
(86)	SA-38A-2508	Shen Fang Di Zi Di 6000368541	87.11

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(87)	SA-38A-301	Shen Fang Di Zi Di 6000368543	77.73
(88)	SA-38A-302	Shen Fang Di Zi Di 6000368545	77.73
(89)	SA-38B-201	Shen Fang Di Zi Di 6000368559	77.53
(90)	SA-38B-202	Shen Fang Di Zi Di 6000368565	80.40
(91)	SA-38B-203	Shen Fang Di Zi Di 6000368567	80.43
(92)	SA-38B-205	Shen Fang Di Zi Di 6000368569	77.53
(93)	SA-38B-206	Shen Fang Di Zi Di 6000368575	77.55
(94)	SA-38B-208	Shen Fang Di Zi Di 6000368580	86.91
(95)	SA-38B-2501	Shen Fang Di Zi Di 6000368583	77.39
(96)	SA-38B-2502	Shen Fang Di Zi Di 6000370392	134.21
(97)	SA-38B-2503	Shen Fang Di Zi Di 6000370390	81.23
(98)	SA-38B-2505	Shen Fang Di Zi Di 6000370388	87.12
(99)	SA-38B-301	Shen Fang Di Zi Di 6000370386	77.63
(100)	SA-38B-302	Shen Fang Di Zi Di 6000370384	77.76
(101)	SA-38B-306	Shen Fang Di Zi Di 6000370380	86.89
(102)	SA-38B-308	Shen Fang Di Zi Di 6000370379	77.47
(103)	SA-38B-406	Shen Fang Di Zi Di 6000370378	87.10
(104)	SA-38B-408	Shen Fang Di Zi Di 6000370372	77.28
(105)	SA-38B-506	Shen Fang Di Zi Di 6000370363	77.76
(106)	SA-38B-508	Shen Fang Di Zi Di 6000370359	77.55
(107)	SA-38B-606	Shen Fang Di Zi Di 6000370358	80.94
(108)	SA-38B-608	Shen Fang Di Zi Di 6000370355	77.28
(109)	SA-38B-706	Shen Fang Di Zi Di 6000370353	80.94
(110)	SA-38B-708	Shen Fang Di Zi Di 6000370350	86.78
(111)	SA-38B-806	Shen Fang Di Zi Di 6000370348	77.55
(112)	SA-38B-808	Shen Fang Di Zi Di 6000370345	86.91
(113)	SA-39A-201	Shen Fang Di Zi Di 6000370381	86.89
(114)	SA-39A-202	Shen Fang Di Zi Di 6000366759	79.69
(115)	SA-39A-206	Shen Fang Di Zi Di 6000366757	80.82
(116)	SA-39A-208	Shen Fang Di Zi Di 6000366754	86.95
(117)	SA-39A-601	Shen Fang Di Zi Di 6000366750	59.68
(118)	SA-39A-602	Shen Fang Di Zi Di 6000368986	87.11
(119)	SA-39A-603	Shen Fang Di Zi Di 6000368980	135.07
(120)	SA-39A-605	Shen Fang Di Zi Di 6000368975	77.38
(121)	SA-39A-606	Shen Fang Di Zi Di 6000368616	77.47
(122)	SA-39A-608	Shen Fang Di Zi Di 6000368620	62.89
(123)	SA-39A-2703	Shen Fang Di Zi Di 6000368628	77.63
(124)	SA-39A-2705	Shen Fang Di Zi Di 6000368630	86.89
(125)	SA-39B-1003	Shen Fang Di Zi Di 6000368769	77.54
(126)	SA-39B-1005	Shen Fang Di Zi Di 6000368770	80.94
(127)	SA-39B-403	Shen Fang Di Zi Di 6000368771	77.28
(128)	SA-39B-405	Shen Fang Di Zi Di 6000368773	80.94
(129)	SA-40A-2701	Shen Fang Di Zi Di 6000368968	82.53
(130)	SA-40A-2702	Shen Fang Di Zi Di 6000368964	81.08
(131)	SA-40A-2703	Shen Fang Di Zi Di 6000368962	79.67

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(132)	SA-40B-501	Shen Fang Di Zi Di 6000368961	77.75
(133)	SA-40B-502	Shen Fang Di Zi Di 6000366748	253.62
(134)	SA-40B-503	Shen Fang Di Zi Di 6000366745	253.62
(135)	SA-40B-505	Shen Fang Di Zi Di 6000366743	63.67
(136)	SA-40B-506	Shen Fang Di Zi Di 6000366742	253.26
(137)	SA-40B-601	Shen Fang Di Zi Di 6000366740	59.05
(138)	SA-40B-602	Shen Fang Di Zi Di 6000366739	62.16
(139)	SA-40B-603	Shen Fang Di Zi Di 6000366738	64.12
(140)	SA-40B-605	Shen Fang Di Zi Di 6000366737	296.07
(141)	SA-40B-606	Shen Fang Di Zi Di 6000367967	62.89
(142)	SA-41A-202	Shen Fang Di Zi Di 6000367434	86.90
(143)	SA-41A-203	Shen Fang Di Zi Di 6000368604	79.55
(144)	SA-41A-205	Shen Fang Di Zi Di 6000367435	86.95
(145)	SA-41A-206	Shen Fang Di Zi Di 6000367436	58.95
(146)	SA-41A-1105	Shen Fang Di Zi Di 6000368608	58.83
(147)	SA-41A-1106	Shen Fang Di Zi Di 6000368995	81.35
(148)	SA-41A-1305	Shen Fang Di Zi Di 6000368960	87.10
(149)	SA-41A-1306	Shen Fang Di Zi Di 6000370324	80.94
(150)	SA-41A-1402	Shen Fang Di Zi Di 6000370321	77.55
(151)	SA-41A-1403	Shen Fang Di Zi Di 6000370317	86.91
(152)	SA-41A-1505	Shen Fang Di Zi Di 6000370315	77.55
(153)	SA-41A-1506	Shen Fang Di Zi Di 6000370313	86.91
(154)	SA-41A-1706	Shen Fang Di Zi Di 6000370310	77.46
(155)	SA-41A-2305	Shen Fang Di Zi Di 6000370308	87.12
(156)	SA-41A-2306	Shen Fang Di Zi Di 6000370307	86.91
(157)	SA-41A-2402	Shen Fang Di Zi Di 6000370305	77.27
(158)	SA-41A-2403	Shen Fang Di Zi Di 6000370304	80.56
(159)	SA-41A-2405	Shen Fang Di Zi Di 6000370302	77.76
(160)	SA-41A-2406	Shen Fang Di Zi Di 6000370300	86.89
(161)	SA-41A-2505	Shen Fang Di Zi Di 6000370299	77.54
(162)	SA-41A-2506	Shen Fang Di Zi Di 6000370298	80.93
(163)	SA-41A-2701	Shen Fang Di Zi Di 6000367918	86.95
(164)	SA-41A-2702	Shen Fang Di Zi Di 6000367919	86.95
(165)	SA-41A-2703	Shen Fang Di Zi Di 6000367920	63.94
(166)	SA-41A-2705	Shen Fang Di Zi Di 6000367921	253.61
(167)	SA-41A-2706	Shen Fang Di Zi Di 6000367922	253.62
(168)	SA-41A-302	Shen Fang Di Zi Di 6000367923	68.14
(169)	SA-41A-303	Shen Fang Di Zi Di 6000367925	241.13
(170)	SA-41A-305	Shen Fang Di Zi Di 6000367927	59.78
(171)	SA-41A-306	Shen Fang Di Zi Di 6000367930	80.58
(172)	SA-41A-402	Shen Fang Di Zi Di 6000367934	86.95
(173)	SA-41A-403	Shen Fang Di Zi Di 6000367937	80.58
(174)	SA-41A-405	Shen Fang Di Zi Di 6000368549	77.53
(175)	SA-41A-406	Shen Fang Di Zi Di 6000368552	135.55
(176)	SA-41A-505	Shen Fang Di Zi Di 6000368501	81.35

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(177)	SA-41A-506	Shen Fang Di Zi Di 6000368502	81.35
(178)	SA-41A-705	Shen Fang Di Zi Di 6000370297	58.83
(179)	SA-41A-706	Shen Fang Di Zi Di 6000370296	59.56
(180)	SA-41A-901	Shen Fang Di Zi Di 6000370295	80.54
(181)	SA-41B-202	Shen Fang Di Zi Di 6000370294	86.78
(182)	SA-41B-203	Shen Fang Di Zi Di 6000370293	63.81
(183)	SA-41B-205	Shen Fang Di Zi Di 6000370290	62.73
(184)	SA-41B-206	Shen Fang Di Zi Di 6000370289	79.44
(185)	SA-41B-2102	Shen Fang Di Zi Di 6000370288	80.43
(186)	SA-41B-2103	Shen Fang Di Zi Di 6000370286	63.81
(187)	SA-41B-2502	Shen Fang Di Zi Di 6000370284	59.57
(188)	SA-41B-2503	Shen Fang Di Zi Di 6000368945	77.27
(189)	SA-41B-2702	Shen Fang Di Zi Di 6000368939	80.93
(190)	SA-41B-2703	Shen Fang Di Zi Di 6000368930	86.89
(191)	SA-41B-302	Shen Fang Di Zi Di 6000368916	77.28
(192)	SA-41B-303	Shen Fang Di Zi Di 6000367438	63.94
(193)	SA-41B-402	Shen Fang Di Zi Di 6000367439	79.55
(194)	SA-41B-403	Shen Fang Di Zi Di 6000367443	58.95
(195)	SA-42-201	Shen Fang Di Zi Di 6000367682	289.31
(196)	SA-42-202	Shen Fang Di Zi Di 6000367679	253.61
(197)	SA-42-203	Shen Fang Di Zi Di 6000367674	80.64
(198)	SA-42-205	Shen Fang Di Zi Di 6000367673	58.95
(199)	SA-42-206	Shen Fang Di Zi Di 6000367903	63.94
(200)	SA-42-302	Shen Fang Di Zi Di 6000367907	63.88
(201)	SA-42-303	Shen Fang Di Zi Di 6000367909	80.58
(202)	SA-42-305	Shen Fang Di Zi Di 6000367911	86.95
(203)	SA-42-306	Shen Fang Di Zi Di 6000367912	63.94
(204)	SA-42-402	Shen Fang Di Zi Di 6000367913	86.87
(205)	SA-42-403	Shen Fang Di Zi Di 6000367915	63.94
(206)	SA-42-405	Shen Fang Di Zi Di 6000367916	63.94
(207)	SA-42-406	Shen Fang Di Zi Di 6000367917	80.70
(208)	SA-42-502	Shen Fang Di Zi Di 6000370414	59.57
(209)	SA-42-503	Shen Fang Di Zi Di 6000370416	77.55
(210)	SA-42-505	Shen Fang Di Zi Di 6000370341	77.28
(211)	SA-42-506	Shen Fang Di Zi Di 6000370624	81.37
(212)	SA-42-2301	Shen Fang Di Zi Di 6000370623	77.72
(213)	SA-42-2402	Shen Fang Di Zi Di 6000370622	86.91
(214)	SA-42-2403	Shen Fang Di Zi Di 6000368500	77.73

Total: 29,759.95

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5. As advised by the Company, the Company is now in the process of obtaining the Real Estate Title Certificates for the remaining portion of the property.
6. As advised by the Company, there was an estimated outstanding construction cost of RMB75,020,000. We have not taken into account the aforesaid amount in our valuation.
7. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Kaisa Technology has obtained the Real Estate Title Certificate for the land use rights of the property. Kaisa Technology legally owns the building ownership and the underlying land use rights of the property. Kaisa Technology is entitled to occupy, use, transfer or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portions referred to in Notes 7. ii. and iii. below;
 - ii. portion of the property with a total gross floor area of 10,686.96 sq.m. is mortgaged. During the effective period of the mortgage, Kaisa Technology shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of such portion of the property;
 - iii. for the portion of the property which is subject to various tenancies, the tenancy agreements concerned are legal, valid, binding on the parties thereto and enforceable. Such tenancy agreements have been registered. Kaisa Technology’s right as landlord under such tenancy agreements (including the right to collect rental thereunder) is recognized and protected by PRC laws. Within the terms of such tenancies, Kaisa Technology shall have to notify the relevant tenant for transferring and re-leasing of such portion of the property; and
 - iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portions referred to in Notes 7. ii. and iii above.
8. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate

Part

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
7.	Various office units of Guangzhou Jinmao Project, No. 191 Tiyu West Road, Tianhe District, Guangzhou, Guangdong Province, PRC	Guangzhou Jinmao Project (the “Development”) is erected on a parcel of land with a site area of approximately 12,787.827 sq.m. (137,648 sq.ft.). The Development comprises two 51-storey office towers over-mounting a 5-storey commercial podium plus a 3-level basement for retail and car parking uses. It was completed in May 2008. The property under consideration comprises unsold office units of the Development with a total gross floor area of approximately 9,045.3314 sq.m. (97,364 sq.ft.) and ancillary facilities with a total gross floor area of approximately 2,471.94 sq.m. (26,608 sq.ft.). The land use rights of the property have been granted for terms of 70 years, 40 years and 50 years commencing on May 22, 1993 for residential, commercial, tourism and entertainment and other uses respectively.	Portion of the property with a total gross floor area of approximately 3,252.0798 sq.m. is subject to various tenancies with the latest one expiring on January 31, 2017 at a total monthly rental of approximately RMB429,312.36. The remaining portion of the property is currently vacant.	RMB229,000,000 (100% interest attributable to the Group: RMB229,000,000 (please see Note 8))

Notes:

- Pursuant to State-owned Land Use Certificate No. Sui Fu Guo Yong (2006) 01100135 issued by the People’s Government of Guangzhou Municipality on November 7, 2006, the land use rights of the Development with a site area of approximately 12,787.827 sq.m. have been granted to Guangzhou Jinmao Property Development Co., Ltd. (廣州金貿房地產開發有限公司) (“Guangzhou Jinmao Property”), a wholly-owned subsidiary of the Company, for terms of 70 years, 40 years and 50 years commencing on May 22, 1993 for residential, commercial, tourism and entertainment and other uses respectively.

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2. Pursuant to Pre-sale Permit No. Sui Fang Yu (Wang) Zi Di 20060181-1 issued by Bureau of Land Resources and Housing Management of Guangzhou Municipality on December 19, 2006, portion of the Development with a total gross floor area of approximately 143,514.72 sq.m. is permitted for pre-sale.
3. Pursuant to Record of Acceptance Examination Upon Completion of Housing Construction Projects and Municipal Infrastructure No. Sui Jian Yan Bei 2008-026 issued by Construction Bureau of Guangzhou Municipality on May 13, 2008, the Development has passed the acceptance examination.
4. Pursuant to the Guangzhou City Realty Title and Rights Certificate No. 0002503 issued by Bureau of Land Resources and Housing Management of Guangzhou Municipality on October 9, 2008, the Development with a total gross floor area of 223,107.93 sq.m., in which the property is located, is held by Guangzhou Jinmao Property.
5. As advised by the Company, there was an estimated outstanding construction cost of RMB10,908,480 as at the Valuation Date. We have not taken into account the aforesaid amount in our valuation.
6. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Guangzhou Jinmao Property has obtained the State-owned Land Use Certificates for the land use rights of the property and the Realty Title and Rights Certificates for the buildings of the property. Guangzhou Jinmao Property legally owns the building ownership and the underlying land use rights of the property. Guangzhou Jinmao Property is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 6. iii. below;
 - ii. Guangzhou Jinmao Property has obtained the pre-sale permits for the office portion of the property and is entitled to pre-sell accordingly;
 - iii. for the portion of the property which is subject to various tenancies, the tenancy agreements concerned are legal, valid, binding on the parties thereto and enforceable. Such tenancy agreements have been registered; and
 - iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 6. iii. above.

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7. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Yes

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																																				
8.	Various portions of Phases I and II of Mingcui Garden, Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District, Shenzhen, Guangdong Province, PRC	Mingcui Garden (the “Development”) is a large-scale residential and commercial development to be developed in four phases. Phases I and II of the Development are erected on two parcels of land with a total site area of approximately 75,574.59 sq.m. (813,485 sq.ft.). Phases I and II of the Development were completed in 2008 and 2009 respectively. The total gross floor area of the property under consideration is approximately 73,388.01 sq.m. (789,949 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td colspan="3"><i>Phase I</i></td></tr><tr><td>Residential</td><td>1,601.78</td><td>17,242</td></tr><tr><td>Commercial</td><td>4,572.52</td><td>49,219</td></tr><tr><td>Kindergarten</td><td><u>2,450.80</u></td><td><u>26,380</u></td></tr><tr><td>Sub-total</td><td><u>8,625.10</u></td><td><u>92,841</u></td></tr><tr><td colspan="3"><i>Phase II</i></td></tr><tr><td>Residential</td><td>55,512.19</td><td>597,533</td></tr><tr><td>Commercial</td><td><u>9,250.72</u></td><td><u>99,575</u></td></tr><tr><td>Sub-total</td><td><u>64,762.91</u></td><td><u>697,108</u></td></tr><tr><td>Total</td><td><u><u>73,388.01</u></u></td><td><u><u>789,949</u></u></td></tr></table>	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	<i>Phase I</i>			Residential	1,601.78	17,242	Commercial	4,572.52	49,219	Kindergarten	<u>2,450.80</u>	<u>26,380</u>	Sub-total	<u>8,625.10</u>	<u>92,841</u>	<i>Phase II</i>			Residential	55,512.19	597,533	Commercial	<u>9,250.72</u>	<u>99,575</u>	Sub-total	<u>64,762.91</u>	<u>697,108</u>	Total	<u><u>73,388.01</u></u>	<u><u>789,949</u></u>	The property is currently vacant.	RMB566,200,000 (100% interest attributable to the Group: RMB566,200,000)
Use	Gross Floor Area																																							
	(sq.m.)	(sq.ft.)																																						
<i>Phase I</i>																																								
Residential	1,601.78	17,242																																						
Commercial	4,572.52	49,219																																						
Kindergarten	<u>2,450.80</u>	<u>26,380</u>																																						
Sub-total	<u>8,625.10</u>	<u>92,841</u>																																						
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Residential	55,512.19	597,533																																						
Commercial	<u>9,250.72</u>	<u>99,575</u>																																						
Sub-total	<u>64,762.91</u>	<u>697,108</u>																																						
Total	<u><u>73,388.01</u></u>	<u><u>789,949</u></u>																																						

The land use rights of the property have been granted for a term of 70 years commencing on April 9, 2004 and expiring on April 8, 2074 for residential use.		

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PROPERTY VALUATION REPORT

Notes:

- Pursuant to two Real Estate Title Certificates both issued by Shenzhen Land Resources and Housing Administrative Bureau, Longgang Branch, the land use rights of Phases I and II of the Development with a total site area of 75,574.59 sq.m. have been granted to Shenzhen Daye Property Development Co., Ltd. (深圳市大業房地產開發有限公司) (“Shenzhen Daye”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Land Use Term	Use
(1)	Shen Fang Di Zi Di 6000240311	41,759.71	70 years commencing on April 9, 2004	Residential
(2)	Shen Fang Di Zi Di 6000240312	33,814.88	70 years commencing on April 9, 2004	Residential
		Total	75,574.59	

- Pursuant to four Pre-sale Permits issued by Shenzhen Land Resources and Housing Administrative Bureau, Phases I and II of the Development with a total gross floor area of approximately 207,931.59 sq.m. are permitted for pre-sale. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)
(1)	Blocks 1 to 2 of Phase I	Shen Fang Xu Zi (2007) Long Gang 070	41,347.76
(2)	Blocks 3 to 4 of Phase I	Shen Fang Xu Zi (2008) Long Gang 004	48,815.92
(3)	Block 5 of Phase I	Shen Fang Xu Zi (2008) Long Gang 020	20,447.10
	Block 7 to 9 of Phase II	Shen Fang Xu Zi (2008) Long Gang 034	97,320.81
			Total
			207,931.59

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PROPERTY VALUATION REPORT

3. Pursuant to various Real Estate Title Certificates all issued by Shenzhen Planning and Land Resources Bureau, the building ownership of portion of Phase I of the Development with a total gross floor area of approximately 6,174.30 sq.m. is held by Shenzhen Daye. Details of such certificates are as follows:

No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(1)	MCY1SP-257	Shen Fang Di Zi Di 6000361391	22.06
(2)	MCY1SP-258	Shen Fang Di Zi Di 6000361390	40.70
(3)	MCY1SP-259	Shen Fang Di Zi Di 6000361389	27.33
(4)	MCY1SP-260	Shen Fang Di Zi Di 6000361388	58.69
(5)	MCY1SP-261	Shen Fang Di Zi Di 6000361387	51.53
(6)	MCY1SP-262	Shen Fang Di Zi Di 6000361386	54.31
(7)	MCY1SP-263	Shen Fang Di Zi Di 6000361369	71.93
(8)	MCY1SP-264	Shen Fang Di Zi Di 6000361393	49.52
(9)	MCY1SP-265	Shen Fang Di Zi Di 6000361392	49.02
(10)	MCY1SP-266	Shen Fang Di Zi Di 6000361346	45.73
(11)	MCY1SP-267	Shen Fang Di Zi Di 6000361342	62.26
(12)	MCY1SP-268	Shen Fang Di Zi Di 6000361340	28.40
(13)	MCY1SP-269	Shen Fang Di Zi Di 6000361631	58.97
(14)	MCY1SP-270	Shen Fang Di Zi Di 6000361633	68.56
(15)	MCY1SP-271	Shen Fang Di Zi Di 6000361635	125.00
(16)	MCY1SP-272	Shen Fang Di Zi Di 6000361629	68.56
(17)	MCY1SP-273	Shen Fang Di Zi Di 6000362382	66.87
(18)	MCY5SP-121	Shen Fang Di Zi Di 6000362388	499.80
(19)	MCY5SP-122	Shen Fang Di Zi Di 6000362378	403.80
(20)	MCY5SP-134	Shen Fang Di Zi Di 6000362403	61.00
(21)	MCY5SP-135	Shen Fang Di Zi Di 6000362399	78.08
(22)	MCY5SP-136	Shen Fang Di Zi Di 6000362400	86.12
(23)	MCY5SP-137	Shen Fang Di Zi Di 6000362401	80.92
(24)	MCY5SP-138	Shen Fang Di Zi Di 6000362402	46.18
(25)	MCY5SP-139	Shen Fang Di Zi Di 6000362386	70.69
(26)	MCY5SP-141A	Shen Fang Di Zi Di 6000362387	191.80
(27)	MCY5SP-141B	Shen Fang Di Zi Di 6000361628	224.98
(28)	MCY5SP-142	Shen Fang Di Zi Di 6000361638	48.11
(29)	MCY6SP-143	Shen Fang Di Zi Di 6000361203	87.93
(30)	MCY6SP-144	Shen Fang Di Zi Di 6000361204	98.59
(31)	MCY6SP-145	Shen Fang Di Zi Di 6000361198	50.41
(32)	MCY6SP-146	Shen Fang Di Zi Di 6000361199	51.39
(33)	MCY6SP-147	Shen Fang Di Zi Di 6000361200	46.27
(34)	MCY6SP-148	Shen Fang Di Zi Di 6000361202	46.83
(35)	MCY6SP-149	Shen Fang Di Zi Di 6000361131	54.70
(36)	MCY6SP-150	Shen Fang Di Zi Di 6000361201	59.43
(37)	MCY6SP-151	Shen Fang Di Zi Di 6000361132	61.38
(38)	MCY6SP-152	Shen Fang Di Zi Di 6000361133	60.68
(39)	MCY6SP-153	Shen Fang Di Zi Di 6000361124	57.30

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(40)	MCY6SP-154	Shen Fang Di Zi Di 6000361126	75.91
(41)	MCY6SP-155	Shen Fang Di Zi Di 6000361363	48.39
(42)	MCY6SP-156	Shen Fang Di Zi Di 6000361362	112.57
(43)	MCY6SP-281	Shen Fang Di Zi Di 6000361361	248.80
(44)	MCY6SP-282	Shen Fang Di Zi Di 6000361359	67.24
(45)	MCY6SP-283	Shen Fang Di Zi Di 6000361360	68.53
(46)	MCY6SP-284	Shen Fang Di Zi Di 6000361356	68.73
(47)	MCY6SP-285	Shen Fang Di Zi Di 6000361357	58.73
(48)	MCY6SP-286	Shen Fang Di Zi Di 6000361358	65.03
(49)	MCY6SP-287	Shen Fang Di Zi Di 6000361347	67.62
(50)	MCY6SP-288	Shen Fang Di Zi Di 6000361384	66.70
(51)	MCY6SP-289	Shen Fang Di Zi Di 6000361406	62.18
(52)	MCY6SP-290	Shen Fang Di Zi Di 6000361385	84.00
(53)	MCY6SP-291	Shen Fang Di Zi Di 6000361407	62.26
(54)	MCY1B-1405	Shen Fang Di Zi Di 6000361372	117.80
(55)	MCY1B-505	Shen Fang Di Zi Di 6000361370	72.36
(56)	MCY1B-507	Shen Fang Di Zi Di 6000361374	87.09
(57)	MCY2A-1002	Shen Fang Di Zi Di 6000362395	93.04
(58)	MCY2A-1102	Shen Fang Di Zi Di 6000362396	93.00
(59)	MCY2A-1202	Shen Fang Di Zi Di 6000361355	93.04
(60)	MCY2A-1302	Shen Fang Di Zi Di 6000361354	93.00
(61)	MCY2A-1402	Shen Fang Di Zi Di 6000361353	93.04
(62)	MCY2A-1502	Shen Fang Di Zi Di 6000362393	93.00
(63)	MCY2A-1602	Shen Fang Di Zi Di 6000361349	93.04
(64)	MCY2A-1702	Shen Fang Di Zi Di 6000361350	92.99
(65)	MCY2A-1802	Shen Fang Di Zi Di 6000361351	93.04
(66)	MCY2A-902	Shen Fang Di Zi Di 6000362394	93.00
(67)	MCY4A-101	Shen Fang Di Zi Di 6000361371	84.36
(68)	MCY4A-102	Shen Fang Di Zi Di 6000361348	76.79
(69)	MCY4A-103	Shen Fang Di Zi Di 6000362391	76.79
(70)	MCY4B-508	Shen Fang Di Zi Di 6000362385	74.58
(71)	MCY4B-509	Shen Fang Di Zi Di 6000362398	81.82

Total: 6,174.30

4. As advised by the Company, there was an estimated outstanding construction cost of RMB38,520,000 as at the Valuation Date. We have not taken into account the aforesaid amount in our valuation.

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PROPERTY VALUATION REPORT

5. 286 residential units of Phase II of the Development with a total gross floor area of approximately 23,131.90 sq.m have been pre-sold under various sales and purchase agreements at a total consideration of RMB138,114,922, which are included in our valuation. As advised by the Company, these pre-sold units have been completed and are pending hand-over to the purchasers.
6. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Shenzhen Daye has obtained the Real Estate Title Certificates for the land use rights of the property and the Real Estate Title Certificates of part of the buildings of the property. Shenzhen Daye legally owns the building ownership and the underlying land use rights of the property. Shenzhen Daye is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 6. iii. below;
 - ii. Shenzhen Daye has obtained the pre-sale permits for the pre-sold portion of the property and is entitled to pre-sell accordingly;
 - iii. for the pre-sold portion of the property, Shenzhen Daye has no right to transfer, lease, mortgage or by other legal means dispose of the building ownership and the underlying land use rights of such portion of the property before obtaining consent of the corresponding purchasers or withdrawal of the relevant sales and purchase agreements; and
 - iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 6. iii. above.
7. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate

Part

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009															
9.	Various residential and commercial units of Phase I of Zhongyang Haomen, Wangwuzhou Village, Shilong Town, Dongguan, Guangdong Province, PRC	Zhongyang Haomen (the “Development”) is a residential development to be developed in four phases on six parcels of land with a total site area of approximately 70,938.38 sq.m. (763,581 sq.ft.). Phase I of the Development was completed in June 2009. The property under consideration comprises various residential and commercial units of Phase I of the Development. The total gross floor area of the property is approximately 11,517.36 sq.m. (123,973 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>6,150.11</td><td>66,200</td></tr><tr><td>Commercial</td><td><u>5,367.25</u></td><td><u>57,773</u></td></tr><tr><td>Total</td><td><u><u>11,517.36</u></u></td><td><u><u>123,973</u></u></td></tr></table> The land use rights of the property have been granted for terms expiring on September 8, 2063, December 17, 2065 and December 24, 2068 for residential and commercial uses.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	6,150.11	66,200	Commercial	<u>5,367.25</u>	<u>57,773</u>	Total	<u><u>11,517.36</u></u>	<u><u>123,973</u></u>	Portion of the commercial units of the property with a total gross floor area of approximately 238.85 sq.m. is subject to various tenancies with the latest one expiring on June 30, 2014 for a total monthly rental of approximately RMB19,712.35. The remaining portion of the property is currently vacant.	RMB106,800,000 (100% interest attributable to the Group: RMB106,800,000 (please see Note 9))
Use	Gross Floor Area																		
	(sq.m.)	(sq.ft.)																	
Residential	6,150.11	66,200																	
Commercial	<u>5,367.25</u>	<u>57,773</u>																	
Total	<u><u>11,517.36</u></u>	<u><u>123,973</u></u>																	

Notes:

- Pursuant to six State-owned Land Use Certificates all issued by the People’s Government of Dongguan, the land use rights of the Development with a total site area of approximately 70,938.38 sq.m. have been respectively granted to Dongguan Shi Long Town Real Estate Company (東莞市石龍鎮房地產公司) (“Dongguan Shilong”), an independent third party, and Dongguan Yingsheng Property Development Co., Ltd. (東莞市盈盛房地產開發有限公

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PROPERTY VALUATION REPORT

司) (“Dongguan Yingsheng”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Company	Site Area (sq.m.)	Expiry Date	Use
(1)	Dong Fu Guo Yong (1998) Di Te No. 343	Dongguan Shilong	14,448.36	December 17, 2065	Commercial/ residential
(2)	Dong Fu Guo Yong (2005) Di Te No. 949	Dongguan Yingsheng	10,713.90	December 24, 2068	Commercial/ residential
(3)	Dong Fu Guo Yong (2005) Di Te No. 987	Dongguan Yingsheng	9,206.55	December 24, 2068	Commercial/ residential
(4)	Dong Fu Guo Yong (2005) Di Te No. 978	Dongguan Shilong	3,731.79	December 24, 2068	Commercial/ residential
(5)	Dong Fu Guo Yong (2003) Di Te No. 261	Dongguan Shilong	9,267.78	December 24, 2068	Commercial/ residential
(6)	Dong Fu Guo Yong (1998) Zi Di Te No. 327	Dongguan Shilong	23,570.00	September 8, 2063	Commercial/ residential
			Total	70,938.38	

- Pursuant to 《石龍新城區土地有償使用合同書》(Shilong New Urban Area Land Use Contract) entered into between Dongguan Shilong (“Party A”) and Dongguan Yingsheng (“Party B”) in July 2006, Party A agreed to transfer the land use rights of six parcels of land with a total site area of 70,942.37 sq.m. and to lease the land use rights of a parcel of land with a site area of approximately 9,600.00 sq.m. to Party B at a consideration of RMB136,336,266.
- The Development is jointly developed by Dongguan Shilong and Dongguan Yingsheng. Pursuant to 《關於核准石龍中央豪門商住小區的通知》(東發改[2007]81號) (Notice regarding Permission on Shilong Zhongyang Haomen Commercial and Residential Project No. Dong Fa Gai [2007]81) issued by Dongguan City Development and Reformation Bureau (東莞市發展和改革局), Dongguan Shilong has gained cooperation interests in the form of receiving land premium at RMB40,510,000 and a one-off payment of RMB7,000,000 from Dongguan Yingsheng. Dongguan Shilong will not be attributed any interest and will not undertake any loss and risk in the project whereas Dongguan Yingsheng is entitled to all the remaining interests in the project and is to undertake all losses and risks.

Further pursuant to 《關於中央豪門商住小區項目補充協議》(Supplemental Agreement on Zhongyang Haomen Commercial and Residential Project) entered into in 2008, Dongguan Shilong confirmed that the land premium and the one-off payment mentioned in the Notice regarding Permission on Shilong Zhongyang Haomen Commercial and Residential Project were included in the consideration of RMB136,336,266 as stated in the Shilong New Urban Area Land Use Contract abovementioned in Note 2.

In addition, a management fee of RMB6,887,969 shall also be paid to Dongguan Shilong.

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PROPERTY VALUATION REPORT

4. Pursuant to two Pre-sale Permits Nos. 08 Dongguan Shang Fang Yu Zheng Zi Di 00092 and 00089 both issued by Dongguan Construction Bureau on April 28, 2008, Blocks 1 to 6 of the Development with a total gross floor area of approximately 60,727.00 sq.m. are permitted for pre-sale.
5. Pursuant to various Records of Acceptance Examination Upon Completion of Dongguan City Housing Construction Projects and Municipal Infrastructure issued by Dongguan Construction Bureau on June 17, 2009, Blocks 1 to 6 of the Development have passed the acceptance examination. Details of such Records are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Block 1	Jian Bei Zheng Zi Di 441900200906170001	13,921.10	June 17, 2009
(2)	Block 2	Jian Bei Zheng Zi Di 441900200906170002	11,361.66	June 17, 2009
(3)	Block 3	Jian Bei Zheng Zi Di 441900200906170003	12,068.14	June 17, 2009
(4)	Block 4	Jian Bei Zheng Zi Di 441900200906170004	10,152.78	June 17, 2009
(5)	Block 5	Jian Bei Zheng Zi Di 441900200906170005	11,990.20	June 17, 2009
(6)	Block 6	Jian Bei Zheng Zi Di 441900200906170006	10,654.31	June 17, 2009
Total			<u><u>70,148.19</u></u>	

6. As advised by the Company, there was an estimated outstanding construction cost of RMB6,750,595.40 as at the Valuation Date. We have not taken into account the aforesaid amount in our valuation.
7. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Dongguan Yingsheng has obtained the State-owned Land Use Certificates Nos. Dong Fu Guo Yong (2005) Di Te 949 and 987 while Dongguan Shilong has obtained the State-owned Land Use Certificates Nos. Dong Fu Guo Yong (1998) Zi Di Te 327, Dong Fu Guo Yong (1998) Di Te 343, Dong Fu Guo Yong (2003) Di Te 261 and Dong Fu Guo Yong (2005) Di Te 978 for the land use rights of the property. Dongguan Yingsheng and Dongguan Shilong legally own the building ownership and the underlying land use rights of the property. Dongguan Yingsheng and Dongguan Shilong are entitled to occupy, use, lease, mortgage, transfer or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 7. iv. below;

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- ii. for the State-owned Land Use Certificates Nos. Dong Fu Guo Yong (1998) Zi Di Te 327 and Dong Fu Guo Yong (1998) Di Te 343, Dong Fu Guo Yong (2003) Di Te 261 and Dong Fu Guo Yong (2005) Di Te 978 to remain to be held by Dongguan Shilong, it is in compliance with the relevant PRC laws and regulations. Dongguan Yingsheng is entitled to the interests in this property because it is a party to the cooperation development of the property and its legal interests in the property are protected by PRC laws;
 - iii. Dongguan Yingsheng and Dongguan Shilong have obtained the pre-sale permits for the property and is entitled to pre-sell accordingly;
 - iv. for the portion of the property which is subject to various tenancies, the tenancy agreements concerned are legal, valid, binding on the parties thereto and enforceable. Such tenancy agreements have been registered; and
 - v. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 7. iv. above.
8. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate

No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
10.	Various commercial units of Shuiian Shancheng, Yantian Village, Fenggang Town, Dongguan, Guangdong Province, PRC	The property comprises various commercial units on Levels 1 and 2 of a 4-storey clubhouse and Basements 1 and 2 of a kindergarten completed in 2007. The property has a total gross floor area of approximately 3,650.39 sq.m. (39,293 sq.ft.). The land use rights of the property have been granted for a term of 70 years expiring on April 30, 2063 for commercial and residential uses.	Portion of the property with a total gross floor area of approximately 909.62 sq.m. is subject to various tenancies with the latest one expiring on July 27, 2017 at a total monthly rental of approximately RMB26,671.90. The remaining portion of the property is currently vacant.	RMB23,100,000 (100% interest attributable to the Group: RMB23,100,000)

Notes:

- Pursuant to various Real Estate Title Certificates all issued by Dongguan Housing Administrative Bureau, the building ownership of the property with a total gross floor area of approximately 3,650.39 sq.m. is held by Dongguan Kaisa Property Development Co., Ltd. (東莞市佳兆業房地產開發有限公司) (“Dongguan Kaisa Property”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(1)	23-1201-00015-000108	Yue Fang Di Quan Zheng Guan Zi Di 2300025236	81.56
(2)	23-1201-00015-000107	Yue Fang Di Quan Zheng Guan Zi Di 2300025237	37.26
(3)	23-1201-00015-000106	Yue Fang Di Quan Zheng Guan Zi Di 2300025238	14.14
(4)	23-1201-00015-000105	Yue Fang Di Quan Zheng Guan Zi Di 2300025239	82.37
(5)	23-1201-00015-000104	Yue Fang Di Quan Zheng Guan Zi Di 2300025240	106.05
(6)	23-1201-00015-000103	Yue Fang Di Quan Zheng Guan Zi Di 2300025241	125.45
(7)	23-1201-00015-000102	Yue Fang Di Quan Zheng Guan Zi Di 2300025242	40.07
(8)	23-1201-00014-000101	Yue Fang Di Quan Zheng Guan Zi Di 2300025243	65.19
(9)	23-1201-00014-000204	Yue Fang Di Quan Zheng Guan Zi Di 2300025244	56.60
(10)	23-1201-00014-000203	Yue Fang Di Quan Zheng Guan Zi Di 2300025245	72.90
(11)	23-1201-00014-000202	Yue Fang Di Quan Zheng Guan Zi Di 2300025246	78.36

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(12)	23-1201-00014-000201	Yue Fang Di Quan Zheng Guan Zi Di 2300025247	163.43
(13)	23-1201-00014-000101	Yue Fang Di Quan Zheng Guan Zi Di 2300025248	119.79
(14)	23-1201-00014-000102	Yue Fang Di Quan Zheng Guan Zi Di 2300025249	155.54
(15)	23-1201-00014-000103	Yue Fang Di Quan Zheng Guan Zi Di 2300025250	151.21
(16)	23-1201-00014-000104	Yue Fang Di Quan Zheng Guan Zi Di 2300025251	151.21
(17)	23-1201-00014-000105	Yue Fang Di Quan Zheng Guan Zi Di 2300025252	151.21
(18)	23-1201-00014-000106	Yue Fang Di Quan Zheng Guan Zi Di 2300025253	162.29
(19)	23-1201-00014-000107	Yue Fang Di Quan Zheng Guan Zi Di 2300025254	130.04
(20)	23-1201-00014-000108	Yue Fang Di Quan Zheng Guan Zi Di 2300025255	153.96
(21)	23-1201-00014-000109	Yue Fang Di Quan Zheng Guan Zi Di 2300025256	114.55
(22)	23-1201-00014-000201	Yue Fang Di Quan Zheng Guan Zi Di 2300025257	153.79
(23)	23-1201-00015-000202	Yue Fang Di Quan Zheng Guan Zi Di 2300025258	189.39
(24)	23-1201-00015-000203	Yue Fang Di Quan Zheng Guan Zi Di 2300025259	184.03
(25)	23-1201-00015-000204	Yue Fang Di Quan Zheng Guan Zi Di 2300025260	184.03
(26)	23-1201-00015-000205	Yue Fang Di Quan Zheng Guan Zi Di 2300025261	184.03
(27)	23-1201-00015-000206	Yue Fang Di Quan Zheng Guan Zi Di 2300025262	199.76
(28)	23-1201-00015-000207	Yue Fang Di Quan Zheng Guan Zi Di 2300025263	127.08
(29)	23-1201-00015-000208	Yue Fang Di Quan Zheng Guan Zi Di 2300025264	146.05
(30)	23-1201-00015-000209	Yue Fang Di Quan Zheng Guan Zi Di 2300025265	69.05
Total			3,650.39

2. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- i. Dongguan Kaisa Property legally owns the building ownership and the underlying land use rights of the property;
- ii. Dongguan Kaisa Property has obtained the Real Estate Title Certificates for the buildings of the property. Dongguan Kaisa Property is entitled to occupy, use, lease, transfer, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 2. iii. below;
- iii. for the portion of the property which is subject to various tenancies, the tenancy agreements concerned are legal, valid, binding on the parties thereto and enforceable. Such tenancy agreements have been registered. Dongguan Kaisa Property’s right as landlord under such tenancy agreements (including the right to collect rental thereunder) is recognized and protected by PRC laws. Within the terms of such tenancies, Dongguan Kaisa Property shall have to notify the relevant tenant for transferring and re-leasing of such portion of the property and the relevant tenant has the right of first refusal to purchase such portion of the property; and
- iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 2. iii. above.

3. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Yes

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
11.	Various residential units of Phase I of Jiangyin Lake View Place, South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Road East, Jiangyin, Jiangsu Province, PRC	Jiangyin Lake View Place (the “Development”) is a large-scale residential development to be developed in three phases on four parcels of land with a total site area of approximately 225,533.00 sq.m. (2,427,637 sq.ft.). The property under consideration comprises various residential units of Phase I of the Development with a total gross floor area of approximately 29,127.56 sq.m. (313,529 sq.ft.). The property was completed in July 2009. The land use rights of the property have been granted for terms expiring on September 29, 2047 and September 29, 2077 for commercial and residential uses respectively.	The property is currently vacant.	RMB378,700,000 (100% interest attributable to the Group: RMB378,700,000)

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Notes:

- Pursuant to four State-owned Land Use Certificates all issued by the People’s Government of Jiangyin on July 25, 2009, the land use rights of the Development with a total site area of 225,533.00 sq.m. have been granted to Jiangyin Taichang Property Development Co., Ltd. (江陰市泰昌房地產開發有限公司) (“Jiangyin Taichang”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Land Use Rights Term
(1)	Cheng Tu Guo Yong (2009) No. 13321	92,023	Expiring on September 29, 2077 and September 29, 2047 for residential and commercial uses respectively
(2)	Cheng Tu Guo Yong (2009) No. 13322	30,733	Expiring on September 29, 2077 for residential use
(3)	Cheng Tu Guo Yong (2009) No. 13323	77,587	Expiring on September 29, 2077 for residential use
(4)	Cheng Tu Guo Yong (2009) No. 13324	25,190	Expiring on September 29, 2077 and September 29, 2047 for residential and commercial uses respectively
Total		<u>225,533.00</u>	

- Pursuant to Pre-sale Permit No. (2008) Yu Xiao Zhun Zi 037 issued by Bureau of Land Resources and Housing Management of Jiangyin Municipality on July 12, 2008, Phase I of the Development with a total gross floor area of approximately 87,598.4 sq.m. is permitted for pre-sale.
- Pursuant to three Records of Acceptance Examination Upon Completion of Housing Construction Projects and Municipal Infrastructure Nos. Cheng Jian Jun Bei Fang Zi (2009) Di 119, Cheng Jian Jun Bei Fang Zi (2009) Di 120 and Cheng Jian Jun Bei Fang Zi (2009) Di 202 issued by Construction Bureau of Jiangyin Municipality on April 16, 2009, April 16, 2009 and July 8, 2009 respectively, Blocks A1 to A48 and B1 to B19 of Phase I of the Development with a total gross floor area of approximately 87,297.32 sq.m. have passed the acceptance examination.
- We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - the land premium of the property has been fully settled and Jiangyin Taichang has obtained the State-owned Land Use Certificates for the land use rights of the property. Jiangyin Taichang legally owns the building ownership and the underlying land use

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rights of the property. Jiangyin Taichang is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 4. iii. below;

- ii. Jiangyin Taichang has obtained the pre-sale permits for the property and is entitled to pre-sell accordingly;
 - iii. the land use rights of the property subject with the State-owned Land Use Certificates Nos. Cheng Tu Guo Yong (2009) 13321 and 13324 are mortgaged. During the effective period of the mortgage, Jiangyin Taichang shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of such portion of the property; and
 - iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 4. iii. above.
5. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate

No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																		
12.	Various portions of Xiangrui Garden, North of Beihuan Highway, Nanshan District, Shenzhen, Guangdong Province, PRC	Xiangrui Garden (the “Development”) is a large-scale residential development developed on two parcels of land with a total site area of approximately 57,983.78 sq.m. (624,137 sq.ft.). It was completed in various stages between 2008 and 2009. The property under consideration comprises 27 commercial units, 75 residential units, a clubhouse and a kindergarten of the Development. The total gross floor area of the property is approximately 16,125.88 sq.m. (173,579 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>10,900.49</td><td>117,333</td></tr><tr><td>Commercial</td><td>2,510.39</td><td>27,022</td></tr><tr><td>Kindergarten</td><td><u>2,715.00</u></td><td><u>29,224</u></td></tr><tr><td>Total</td><td><u><u>16,125.88</u></u></td><td><u><u>173,579</u></u></td></tr></table> The land use rights of the property have been granted for a term of 70 years commencing on June 27, 1996 and expiring on June 26, 2066 for residential and ancillary facilities uses.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	10,900.49	117,333	Commercial	2,510.39	27,022	Kindergarten	<u>2,715.00</u>	<u>29,224</u>	Total	<u><u>16,125.88</u></u>	<u><u>173,579</u></u>	The property is currently vacant.	RMB391,200,000 (100% interest attributable to the Group: RMB391,200,000 (please see Note 4))
Use	Gross Floor Area																					
	(sq.m.)	(sq.ft.)																				
Residential	10,900.49	117,333																				
Commercial	2,510.39	27,022																				
Kindergarten	<u>2,715.00</u>	<u>29,224</u>																				
Total	<u><u>16,125.88</u></u>	<u><u>173,579</u></u>																				

Notes:

- Pursuant to two Real Estate Title Certificates Nos. Shen Fang Di Zi Di 4000313273 and Shen Fang Di Zi Di 4000313274 both issued by Shenzhen Land Resources and Housing Administrative Bureau on March 26, 2007, the land use rights of the Development with a total site area of approximately 57,983.78 sq.m. have been granted to Shenzhen Xingwoer

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Shihua Co., Ltd. (深圳市興沃爾石化有限公司) (“Shenzhen Xingwoer”, with 80% shareholding), and Success Take Zhiye (Shenzhen) Co., Ltd. (迪升置業 (深圳) 有限公司), (“Shenzhen Success Take”, with 20% shareholding), two wholly-owned subsidiaries of the Company, for a term of 70 years commencing on June 27, 1996 and expiring on June 26, 2066 for residential and ancillary facilities uses and residential use respectively.

2. Pursuant to two Pre-sale Permits issued by Shenzhen Land Resources and Housing Administrative Bureau, the Development with a total gross floor area of approximately 99,961.42 sq.m. is permitted for pre-sale. Details of such permits are as follows:

No.	Block No.	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Blocks 8 to 11	Shen Fang Xu Zi (2008) Nan Shan 013	48,936.97	July 9, 2008
(2)	Blocks 1 to 7	Shen Fang Xu Zi (2008) Nan Shan 015	51,024.45	July 29, 2008
Total			<u>99,961.42</u>	

3. Pursuant to two Real Estate Construction Project Completion Examination Archival Acknowledgments Nos. 2009015 and 2008162 both issued by Shenzhen Construction Bureau on February 26, 2009 and October 12, 2008 respectively, the construction works of, *inter alia*, the property were completed.

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4. Pursuant to various Real Estate Title Certificates all issued by Shenzhen Planning and Land Resources Bureau, the building ownership of the property with a total gross floor area of approximately 3,432.98 sq.m. is held by Shenzhen Xingwoer and Shenzhen Success Take. Details of such certificates are as follows:

No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(1)	8SP-101	Shen Fang Di Zi Di 4000409280	45.97
(2)	8SP-102	Shen Fang Di Zi Di 4000409429	78.27
(3)	8SP-103	Shen Fang Di Zi Di 4000409427	51.86
(4)	8SP-104	Shen Fang Di Zi Di 4000409425	54.98
(5)	8SP-105	Shen Fang Di Zi Di 4000409422	81.50
(6)	8SP-106	Shen Fang Di Zi Di 4000409420	45.90
(7)	8SP-107	Shen Fang Di Zi Di 4000409417	78.34
(8)	8SP-108	Shen Fang Di Zi Di 4000409415	54.98
(9)	8SP-109	Shen Fang Di Zi Di 4000409413	55.05
(10)	8SP-110	Shen Fang Di Zi Di 4000409411	62.72
(11)	8SP-111	Shen Fang Di Zi Di 4000409408	34.61
(12)	8SP-112	Shen Fang Di Zi Di 4000409406	51.33
(13)	8SP-113	Shen Fang Di Zi Di 4000409404	41.99
(14)	8SP-114	Shen Fang Di Zi Di 4000409402	58.84
(15)	8SP-115	Shen Fang Di Zi Di 4000409399	64.34
(16)	8SP-116	Shen Fang Di Zi Di 4000409397	49.50
(17)	8SP-117	Shen Fang Di Zi Di 4000409394	49.50
(18)	8SP-118	Shen Fang Di Zi Di 4000409391	49.50
(19)	8SP-119	Shen Fang Di Zi Di 4000409390	49.50
(20)	10SP-120	Shen Fang Di Zi Di 4000409309	49.63
(21)	10SP-121	Shen Fang Di Zi Di 4000409306	47.33
(22)	10SP-122	Shen Fang Di Zi Di 4000409304	47.33
(23)	10SP-123	Shen Fang Di Zi Di 4000409301	77.65
(24)	10SP-124	Shen Fang Di Zi Di 4000409299	50.68
(25)	10SP-125	Shen Fang Di Zi Di 4000409297	67.22
(26)	10SP-126	Shen Fang Di Zi Di 4000409296	41.88
(27)	10SP-127	Shen Fang Di Zi Di 4000409295	83.68
(28)	8SPA-401	Shen Fang Di Zi Di 4000409385	124.01
(29)	9SPA-202	Shen Fang Di Zi Di 4000409373	123.75
(30)	9SPB-1202	Shen Fang Di Zi Di 4000409340	119.14
(31)	9SPB-201	Shen Fang Di Zi Di 4000409364	123.82
(32)	9SPB-202	Shen Fang Di Zi Di 4000409361	123.82
(33)	9SPB-401	Shen Fang Di Zi Di 4000409354	124.20
(34)	9SPC-1001	Shen Fang Di Zi Di 4000409318	124.12
(35)	9SPC-1101	Shen Fang Di Zi Di 4000409316	124.12
(36)	9SPC-201	Shen Fang Di Zi Di 4000409338	123.75
(37)	9SPC-301	Shen Fang Di Zi Di 4000409335	123.75
(38)	9SPC-401	Shen Fang Di Zi Di 4000409333	124.12
(39)	9SPC-501	Shen Fang Di Zi Di 4000409329	124.12

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(40)	9SPC-701	Shen Fang Di Zi Di 4000409326	124.12
(41)	9SPC-901	Shen Fang Di Zi Di 4000409321	124.12
(42)	10SPC-1102	Shen Fang Di Zi Di 4000409292	89.10
(43)	11SPC-902	Shen Fang Di Zi Di 4000409283	88.84
Total:			3,432.98

5. As advised by the Company, the Company is now in the process of obtaining the Real Estate Title Certificates for the remaining portion of the property.
6. As advised by the Company, there was an estimated outstanding construction cost of RMB128,550,000 as at the Valuation Date. We have not taken into account the aforesaid amount in undertaking our valuation accordingly.
7. We have ascribed no commercial value to the kindergarten as such portion of the property shall be allocated to the government.
8. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Shenzhen Xingwoer and Shenzhen Success Take have obtained the Real Estate Title Certificate for the land use rights of the property and the Real Estate Title Certificates for part of the property. Shenzhen Xingwoer and Shenzhen Success Take legally own the building ownership and the underlying land use rights of the property. Shenzhen Xingwoer and Shenzhen Success Take are entitled to occupy, use, transfer or by other legal means dispose of the buildings and their underlying land use rights of the property;
 - ii. Shenzhen Xingwoer and Shenzhen Success Take have obtained the pre-sale permits of the property and are entitled to pre-sell accordingly; and
 - iii. the property is not subject to any mortgage or other third party’s encumbrance.
9. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Part

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Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																		
13.	Phase III of Mingcui Garden, Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District, Shenzhen, Guangdong Province, PRC	Mingcui Garden (the “Development”) is a large-scale residential and commercial development to be developed in four phases. The property under consideration comprises Phase III of the Development which is erected on a parcel of land with a site area of approximately 23,827.83 sq.m. (256,483 sq.ft.). According to the provided information, the property is being developed with a total gross floor area of approximately 87,881.16 sq.m. (945,953 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>61,604.00</td><td>663,105</td></tr><tr><td>Commercial</td><td>7,641.83</td><td>82,257</td></tr><tr><td>Ancillary facilities</td><td><u>18,635.33</u></td><td><u>200,591</u></td></tr><tr><td>Total</td><td><u><u>87,881.16</u></u></td><td><u><u>945,953</u></u></td></tr></table> The property is scheduled to be completed in 2011. The land use rights of the property have been granted for a term of 70 years commencing on April 9, 2004 and expiring on April 8, 2074 for residential use.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	61,604.00	663,105	Commercial	7,641.83	82,257	Ancillary facilities	<u>18,635.33</u>	<u>200,591</u>	Total	<u><u>87,881.16</u></u>	<u><u>945,953</u></u>	The property is currently under construction.	RMB250,100,000 (100% interest attributable to the Group: RMB250,100,000)
Use	Gross Floor Area																					
	(sq.m.)	(sq.ft.)																				
Residential	61,604.00	663,105																				
Commercial	7,641.83	82,257																				
Ancillary facilities	<u>18,635.33</u>	<u>200,591</u>																				
Total	<u><u>87,881.16</u></u>	<u><u>945,953</u></u>																				

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Notes:

1. Pursuant to Real Estate Title Certificate No. Shen Fang Di Zi 6000314685 issued by Shenzhen Land Resources and Housing Administrative Bureau, Longgang Branch on October 30, 2008, the land use rights of the property with a site area of approximately 23,827.83 sq.m. have been granted to Shenzhen Daye for a term of 70 years commencing on April 9, 2004 and expiring on April 8, 2074 for residential use.
2. Pursuant to Construction Land Planning Permit No. Shen Gui Xu Zi 06-2006-0166 issued by Shenzhen Planning Bureau, Longgang Branch on August 2, 2006, the land of the property with a site area of approximately 33,814.88 sq.m. is permitted for use.
3. Pursuant to five Construction Works Planning Permits issued by Shenzhen Planning Bureau, Longgang Branch, the approved construction scale of the property is approximately 88,564.68 sq.m. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Block 10	Shen Gui Jian Xu Zi Di LG-2009-0013	15,220.20	February 10, 2009
(2)	Block 11	Shen Gui Jian Xu Zi Di LG-2009-0014	14,107.99	February 10, 2009
(3)	Block 12	Shen Gui Jian Xu Zi Di LG-2009-0015	26,917.26	February 10, 2009
(4)	Block 13	Shen Gui Jian Xu Zi Di LG-2009-0016	14,185.48	February 10, 2009
(5)	Basement of Phase III	Shen Gui Jian Xu Zi Di LG-2009-0017	18,133.75	February 10, 2009
Total			88,564.68	

4. Pursuant to Construction Works Commencement Permit issued by Shenzhen Longgang District Construction Bureau on February 13, 2009, commencement of the construction of Blocks 10 to 13 and basement of the property with a gross floor area of approximately 88,414.68 sq.m. is permitted.
5. As advised by the Company, the total construction cost expended as at the Valuation Date was RMB123,030,000 and the estimated outstanding construction cost for completion of the property will be RMB125,770,000 (excluding marketing and finance costs). We have taken into account the aforesaid amount in our valuation.
6. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB531,000,000.
7. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Shenzhen Daye has obtained the Real Estate Title Certificate for the land use rights of the property. Shenzhen Daye legally owns the land use rights of the property and the construction

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thereon. Shenzhen Daye is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 7. iii. below;

- ii. Shenzhen Daye has obtained requisite permits/approvals/certificates in respect of the construction of the property in accordance with its actual construction progress;
 - iii. the land use rights of the property subject to the Real Estate Title Certificate No. Shen Fang Di Zi 6000314685 are mortgaged. During the effective period of the mortgage, Shenzhen Daye shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property; and
 - iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 7. iii. above.
8. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/ State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	Yes
iv.	Construction Works Commencement Permit	Yes
v.	Pre-sale Permit	No
vi.	Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																					
14.	Guangzhou Kaisa Plaza, Lot No. B2-3 Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC	The property is a commercial development, namely Guangzhou Kaisa Plaza (the “Development”), being developed on a parcel of land with a site area of approximately 7,105.89 sq.m. (76,488 sq.ft.). According to the provided information, the property is being developed with a total gross floor area of approximately 117,575.00 sq.m. (1,265,577 sq.ft.) (including 464 car parks at basement), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Office</td><td>82,829.00</td><td>891,571</td></tr><tr><td>Commercial</td><td>6,866.00</td><td>73,906</td></tr><tr><td>Car parks</td><td>16,055.00</td><td>172,816</td></tr><tr><td>Ancillary facilities</td><td><u>11,825.00</u></td><td><u>127,284</u></td></tr><tr><td>Total</td><td><u>117,575.00</u></td><td><u>1,265,577</u></td></tr></table>	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Office	82,829.00	891,571	Commercial	6,866.00	73,906	Car parks	16,055.00	172,816	Ancillary facilities	<u>11,825.00</u>	<u>127,284</u>	Total	<u>117,575.00</u>	<u>1,265,577</u>	The property is currently under construction.	RMB1,537,000,000 (100% interest attributable to the Group: RMB1,537,000,000)
Use	Gross Floor Area																								
	(sq.m.)	(sq.ft.)																							
Office	82,829.00	891,571																							
Commercial	6,866.00	73,906																							
Car parks	16,055.00	172,816																							
Ancillary facilities	<u>11,825.00</u>	<u>127,284</u>																							
Total	<u>117,575.00</u>	<u>1,265,577</u>																							

The property is scheduled to be completed in 2010.

The land use rights of the property have been granted for terms of 70 years, 40 years and 50 years commencing on June 26, 2006 for residential, commercial, tourism and entertainment and other uses respectively.

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Notes:

1. Pursuant to State-owned Land Use Certificate No. Sui Fu Guo Yong (2006) 01000035 issued by the People’s Government of Guangzhou Municipality on September 12, 2006, the land use right of the property with a site area of approximately 7,105.89 sq.m. have been granted to Guangzhou Jiasui Zhiye Co., Ltd. (廣州市佳穗置業有限公司) (“Guangzhou Jiasui”), a wholly-owned subsidiary of the Company, for terms of 70 years, 40 years and 50 years commencing on June 26, 2006 for residential, commercial, tourism and entertainment and other uses respectively.
2. Pursuant to Construction Land Planning Permit No. Sui Gui Di Zheng (2006) 1500 issued by Bureau of Urban Planning of Guangzhou Municipality on November 24, 2006, the land of the property with a site area of approximately 7,738.00 sq.m. is permitted for use.
3. Pursuant to Construction Works Planning Permit No. Sui Gui Jian Zheng [2008] 1934 issued by Bureau of Urban Planning of Guangzhou Municipality on June 12, 2008, the approved construction scale of the property is approximately 117,575.00 sq.m.
4. Pursuant to Construction Works Commencement Permit No. 440101200807300101 issued by Construction Bureau of Guangzhou Municipality on July 30, 2008, commencement of the construction of the property with a total gross floor area of approximately 117,575.00 sq.m. is permitted.
5. As advised by the Company, the total construction cost expended as at the Valuation Date was RMB115,430,000 and the estimated outstanding construction cost for completion of the property will be RMB362,870,000 (excluding marketing and finance costs). We have taken into account the aforesaid amounts in our valuation.
6. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB2,660,000,000.
7. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Guangzhou Jiasui has obtained the State-owned Land Use Certificate for the land use rights of the property. Guangzhou Jiasui legally owns the land use rights of the property and the construction thereon. Guangzhou Jiasui is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 7. iii. below;
 - ii. Guangzhou Jiasui has obtained requisite permits/approvals/certificates in respect of the construction of the property in accordance with its actual construction progress;

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PROPERTY VALUATION REPORT

- iii. the land use rights of the property subject to the State-owned Land Use Certificate No. Sui Fu Guo Yong (2006) 01000035 are mortgaged. During the effective period of the mortgage, Guangzhou Jiasui shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property; and
 - iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 7. iii. above.
8. A summary of major certificates/approvals is shown as follows:
 - i. State-owned Land Use Rights Certificate/ State-owned Land Use Certificate/Real Estate Title Certificate Yes
 - ii. Construction Land Planning Permit Yes
 - iii. Construction Works Planning Permit Yes
 - iv. Construction Works Commencement Permit Yes
 - v. Pre-sale Permit No
 - vi. Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments No
 - vii. Real Estate Title Certificate/Realty Title and Rights Certificate No

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																																						
15.	Phases II and III of Zhongyang Haomen, Wangwuzhou Village, Shilong Town, Dongguan, Guangdong Province, PRC	Zhongyang Haomen (the “Development”) is a residential development to be developed in four phases on six parcels of land with a total site area of approximately 70,938.38 sq.m. (763,581 sq.ft.). The property under consideration comprises Phases II and III of the Development. According to the provided information, the property is being developed with a total gross floor area of approximately 174,853.11 sq.m. (1,882,119 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td colspan="3"><i>Phase II</i></td></tr><tr><td>Residential</td><td>59,881.24</td><td>644,562</td></tr><tr><td>Commercial</td><td>5,418.45</td><td>58,324</td></tr><tr><td>Ancillary facilities</td><td><u>1,184.91</u></td><td><u>12,754</u></td></tr><tr><td>Sub-total</td><td><u>66,484.60</u></td><td><u>715,640</u></td></tr><tr><td colspan="3"><i>Phase III</i></td></tr><tr><td>Residential</td><td>86,531.90</td><td>931,429</td></tr><tr><td>Commercial</td><td>2,641.74</td><td>28,436</td></tr><tr><td>Basement</td><td><u>19,194.87</u></td><td><u>206,614</u></td></tr><tr><td>Sub-total</td><td><u>108,368.51</u></td><td><u>1,166,479</u></td></tr><tr><td>Total</td><td><u>174,853.11</u></td><td><u>1,882,119</u></td></tr></table>	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	<i>Phase II</i>			Residential	59,881.24	644,562	Commercial	5,418.45	58,324	Ancillary facilities	<u>1,184.91</u>	<u>12,754</u>	Sub-total	<u>66,484.60</u>	<u>715,640</u>	<i>Phase III</i>			Residential	86,531.90	931,429	Commercial	2,641.74	28,436	Basement	<u>19,194.87</u>	<u>206,614</u>	Sub-total	<u>108,368.51</u>	<u>1,166,479</u>	Total	<u>174,853.11</u>	<u>1,882,119</u>	The property is currently under construction. RMB428,700,000 (100% interest attributable to the Group: RMB428,700,000)
Use	Gross Floor Area																																									
	(sq.m.)	(sq.ft.)																																								
<i>Phase II</i>																																										
Residential	59,881.24	644,562																																								
Commercial	5,418.45	58,324																																								
Ancillary facilities	<u>1,184.91</u>	<u>12,754</u>																																								
Sub-total	<u>66,484.60</u>	<u>715,640</u>																																								
<i>Phase III</i>																																										
Residential	86,531.90	931,429																																								
Commercial	2,641.74	28,436																																								
Basement	<u>19,194.87</u>	<u>206,614</u>																																								
Sub-total	<u>108,368.51</u>	<u>1,166,479</u>																																								
Total	<u>174,853.11</u>	<u>1,882,119</u>																																								

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
		The property is scheduled to be completed in 2011.		
		The land use rights of the property have been granted for terms expiring on September 8, 2063, December 17, 2065 and December 24, 2068 for residential and commercial uses.		

Notes:

- Pursuant to six State-owned Land Use Certificates all issued by People’s Government of Dongguan, the land use rights of the Development with a total site area of approximately 70,938.38 sq.m. have been respectively granted to Dongguan Shilong and Dongguan Yingsheng. Details of such certificates are as follows:

No.	Certificate No.	Company	Site Area (sq.m.)	Expiry Date	Use
(1)	Dong Fu Guo Yong (1998) Di Te No. 343	Dongguan Shilong	14,448.36	December 17, 2065	Commercial/ residential
(2)	Dong Fu Guo Yong (2005) Di Te No. 949	Dongguan Yingsheng	10,713.90	December 24, 2068	Commercial/ residential
(3)	Dong Fu Guo Yong (2005) Di Te No. 987	Dongguan Yingsheng	9,206.55	December 24, 2068	Commercial/ residential
(4)	Dong Fu Guo Yong (2005) Di Te No. 978	Dongguan Shilong	3,731.79	December 24, 2068	Commercial/ residential
(5)	Dong Fu Guo Yong (2003) Di Te No. 261	Dongguan Shilong	9,267.78	December 24, 2068	Commercial/ residential
(6)	Dong Fu Guo Yong (1998) Zi Di Te No. 327	Dongguan Shilong	23,570.00	September 8, 2063	Commercial/ residential
Total			70,938.38		

- Pursuant to 《石龍新城區土地有償使用合同書》(Shilong New Urban Area Land Use Contract) entered into between Dongguan Shilong (“Party A”) and Dongguan Yingsheng (“Party B”) in July 2006, Party A agreed to transfer the land use rights of six parcels of land with a total site area of 70,942.37 sq.m. and to lease the land use rights of a parcel of land with a site area of proximately 9,600.00 sq.m. to Party B at a consideration of RMB136,336,266.
- The Development is jointly developed by Dongguan Shilong and Dongguan Yingsheng. Pursuant to 《關於核准石龍中央豪門商住小區的通知》(東發改[2007]81號) (Notice regarding Permission on Shilong Zhongyang Haomen Commercial and Residential Project No. Dong Fa

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Gai [2007]81) issued by Dongguan City Development and Reformation Bureau (東莞市發展和改革局), Dongguan Shilong has gained cooperation interests in the form of receiving land premium at RMB40,510,000 and a one-off payment of RMB7,000,000 from Dongguan Yingsheng. Dongguan Shilong will not be attributed any interest and will not undertake any loss and risk in the project whereas Dongguan Yingsheng is entitled to all the remaining interests in the project and is to undertake all losses and risks.

Further pursuant to 《關於中央豪門商住小區項目補充協議》 (Supplemental Agreement on Zhongyang Haomen Commercial and Residential Project) entered into in 2008, Dongguan Shilong confirmed that the land premium and payment mentioned in the Notice regarding Permission on Shilong Zhongyang Haomen Commercial and Residential Project were included in the consideration of RMB136,336,266 as stated in the Shilong New Urban Area Land Use Contract abovementioned in Note 2.

In addition, a management fee of RMB6,887,969 shall also be paid to Dongguan Shilong.

4. Pursuant to Construction Land Planning Permit No. 2007-02-10004 issued by Dongguan Urban Construction Planning Bureau on March 13, 2007, the land of, *inter alia*, Phases I to IV of the Development with a total site area of approximately 82,009.00 sq.m. is permitted for use.
5. Pursuant to various Construction Works Planning Permits issued by Dongguan Urban Construction Planning Bureau, the approved construction scale of the property is approximately 181,569.00 sq.m.. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Block 7	2008-02-10005	10,039.88	January 17, 2008
(2)	Block 8	2008-02-10006	14,246.13	January 17, 2008
(3)	Block 9	2008-02-10007	14,605.62	January 17, 2008
(4)	Block 10	2008-02-10013	17,651.74	January 31, 2008
(5)	Block 11	2008-02-10014	17,642.85	January 31, 2008
(6)	Block 12	2008-02-10015	11,839.42	January 31, 2008
(7)	Block 13	2008-02-10016	10,635.26	January 31, 2008
(8)	Block 14	2008-02-10017	14,311.07	January 31, 2008
(9)	Block 15	2008-02-10018	17,093.30	January 31, 2008
(10)	Block 16	2008-02-10008	12,939.84	January 17, 2008
(11)	Block 17	2008-02-10009	13,885.34	January 17, 2008
(12)	Basement of Phase II	2008-02-10012	7,483.68	January 17, 2008
(13)	Basement of Phase III	2008-02-10021	19,194.87	January 31, 2008

Total 181,569.00

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6. Pursuant to various Construction Works Commencement Permits issued by Dongguan Construction Bureau, commencement of the construction of the property with a total gross floor area of approximately 181,569.00 sq.m. is permitted. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Block 7	4419002008060200501	10,039.88	June 2, 2008
(2)	Block 8	441900200806020401	14,246.13	June 2, 2008
(3)	Block 9	441900200806020301	14,605.62	June 2, 2008
(4)	Block 10	4419002008110600301	17,651.74	November 6, 2008
(5)	Block 11	4419002008110600201	17,642.85	November 6, 2008
(6)	Block 12	4419002009082401401	11,839.42	August 24, 2009
(7)	Block 13	4419002009082401501	10,635.26	August 24, 2009
(8)	Block 14	4419002009082401601	14,311.07	August 24, 2009
(9)	Block 15	4419002009082401701	17,093.30	August 24, 2009
(10)	Block 16	441900200806020201	12,939.84	June 2, 2008
(11)	Block 17	441900200806020101	13,885.34	June 2, 2008
(12)	Basement of Phase II	4419002008013100707	7,483.68	January 31, 2008
(13)	Basement of Phase III (section A)	4419002008110600101	10,301.26	November 6, 2008
(14)	Basement of Phase III	4419002009082401801	<u>8,893.61</u>	August 24, 2009
Total			<u>181,569.00</u>	

7. Pursuant to Pre-sale Permit No. 08 Dongguan Shang Fang Yu Zheng Zi Di 00243 issued by Dongguan Construction Bureau on October 10, 2008. Blocks 7, 8, 16 and 17 of the property with a total gross floor area of approximately 45,791.00 sq.m. is permitted for pre-sale.
8. Various residential and commercial units of the property with a total gross floor area of approximately 16,947.84 sq.m. have been pre-sold under various sales and purchase agreements at a total consideration of RMB98,233,736, which is included in our valuation.
9. As advised by the Company, the total construction cost expended as at the Valuation Date was RMB109,180,000 and the estimated outstanding construction cost for completion of the property will be RMB499,320,000 (excluding marketing and finance costs). We have taken into account the aforesaid amounts in our valuation.
10. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB1,052,000,000.
11. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
- the land premium of the property has been fully settled and Dongguan Yingsheng has obtained the State-owned Land Use Certificates Nos. Dong Fu Guo Yong (2005) Di Te 949 and 987 while Dongguan Shilong has obtained the State-owned Land Use

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PROPERTY VALUATION REPORT

Certificates Nos. Dong Fu Guo Yong (1998) Zi Di Te 327, Dong Fu Guo Yong (1998) Di Te 343, Dong Fu Guo Yong (2003) Di Te 261 and Dong Fu Guo Yong (2005) Di Te 978. Dongguan Yingsheng and Dongguan Shilong legally own the land use rights of the property and the construction thereon. Dongguan Yingsheng and Dongguan Shilong are entitled to occupy, use, lease, mortgage, transfer or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 11. v. below;

- ii. for the State-owned Land Use Certificates Nos. Dong Fu Guo Yong (1998) Zi Di Te 327 and Dong Fu Guo Yong (1998) Di Te 343, Dong Fu Guo Yong (2003) Di Te 261 and Dong Fu Guo Yong (2005) Di Te 978 to remain to be held by Dongguan Shilong, it is in compliance with the relevant PRC laws and regulations. Dongguan Yingsheng is entitled to the interests in this property because it is a party to the cooperation development of the property and its legal interests in the property are protected by PRC laws;
 - iii. Dongguan Yingsheng and Dongguan Shilong have obtained requisite permits/approvals/certificates in respect of the construction of the property in accordance with its actual construction progress;
 - iv. Dongguan Yingsheng and Dongguan Shilong have obtained the pre-sale permits for the pre-sold portion of the property and are entitled to pre-sell accordingly;
 - v. for the pre-sold portion of the property, Dongguan Yingsheng and Dongguan Shilong have no right to transfer, lease, mortgage or by other legal means dispose of the building ownership and the underlying land use rights of such portion of the property before obtaining consent of the corresponding purchasers or withdrawal of the relevant sales and purchase agreements; and
 - vi. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 11. v. above.
12. A summary of major certificates/approvals is shown as follows:
- | | | |
|------|---|------|
| i. | State-owned Land Use Rights Certificate/
State-owned Land Use Certificate/Real Estate Title Certificate | Yes |
| ii. | Construction Land Planning Permit | Yes |
| iii. | Construction Works Planning Permit | Yes |
| iv. | Construction Works Commencement Permit | Yes |
| v. | Pre-sale Permit | Part |
| vi. | Completed Construction Works Certified Report/
Real Estate Construction Project Completion Examination Archival
Acknowledgments | No |
| vii. | Real Estate Title Certificate/Realty Title and Rights Certificate | No |

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																					
16.	Phase II of Jiangyin Lake View Place, South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Road East, Jiangyin, Jiangsu Province, PRC	Jiangyin Lake View Place (the “Development”) is a large-scale residential development to be developed in three phases on four parcels of land with a total site area of approximately 225,533.00 sq.m. (2,427,637 sq.ft.). The property under consideration comprises Phase II of the Development. According to the provided information, the property is being developed with a total gross floor area of approximately 63,787.51 sq.m. (686,608 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><th></th><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>47,151.82</td><td>507,542</td></tr><tr><td>Retail</td><td>5,414.73</td><td>58,284</td></tr><tr><td>Other</td><td>318.60</td><td>3,429</td></tr><tr><td>Car parks</td><td><u>10,902.36</u></td><td><u>117,353</u></td></tr><tr><td>Total</td><td><u><u>63,787.51</u></u></td><td><u><u>686,608</u></u></td></tr></table> The property is scheduled to be completed in 2011. The land use rights of the property have been granted for terms expiring on September 29, 2047 and September 29, 2077 for commercial and residential uses respectively.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	47,151.82	507,542	Retail	5,414.73	58,284	Other	318.60	3,429	Car parks	<u>10,902.36</u>	<u>117,353</u>	Total	<u><u>63,787.51</u></u>	<u><u>686,608</u></u>	The property is currently under construction.	RMB170,200,000 (100% interest attributable to the Group: RMB170,200,000)
Use	Gross Floor Area																								
	(sq.m.)	(sq.ft.)																							
Residential	47,151.82	507,542																							
Retail	5,414.73	58,284																							
Other	318.60	3,429																							
Car parks	<u>10,902.36</u>	<u>117,353</u>																							
Total	<u><u>63,787.51</u></u>	<u><u>686,608</u></u>																							

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Notes:

1. Pursuant to four State-owned Land Use Certificates all issued by the People’s Government of Jiangyin on July 25, 2009, the land use rights of the Development with a total site area of 225,533.00 sq.m. have been granted to Jiangyin Taichang. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Land Use Rights Term
(1)	Cheng Tu Guo Yong (2009) No. 13321	92,023	Expiring on September 29, 2077 and September 29, 2047 for residential and commercial uses respectively
(2)	Cheng Tu Guo Yong (2009) No. 13322	30,733	Expiring on September 29, 2077 for residential use
(3)	Cheng Tu Guo Yong (2009) No. 13323	77,587	Expiring on September 29, 2077 for residential use
(4)	Cheng Tu Guo Yong (2009) No. 13324	25,190	Expiring on September 29, 2077 and September 29, 2047 for residential and commercial uses respectively
		<u>Total</u>	<u>225,533.00</u>

2. Pursuant to Construction Land Planning Permit No. Di Zi Di 320281200800216 issued by Planning Bureau of Jiangyin Municipality on May 7, 2008, the land of the Development with a site area of approximately 225,530.00 sq.m. is permitted for residential use.
3. Pursuant to Construction Works Planning Permit No. [2009]177 issued by Planning Bureau of Jiangyin Municipality on June 19, 2009, the approved construction scale of Blocks A49 to A52 and basement car parks of the property is approximately 63,787.51 sq.m. (including gross floor area of the basement and mezzanine).
4. Pursuant to Construction Works Commencement Permit No. Cheng Jian Shi Xu (2009) Di 237 issued by Construction Bureau of Jiangyin Municipality on July 27, 2009, commencement of the construction of portion of the property with a total gross floor area of approximately 63,468.55 sq.m. is permitted (including gross floor area of the basement).
5. Pursuant to Pre-sale Permit No. (2009) Yu Xiao Zhun Zi 041 issued by Bureau of Land Resources and Housing Management of Jiangyin Municipality on September 17, 2009, Phase II of the Development with a total gross floor area of approximately 52,097.62 sq.m. is permitted for pre-sale.
6. As advised by the Company, the total construction cost expended as at the Valuation Date was RMB70,070,000 and the estimated outstanding construction cost for completion of the property will be RMB97,330,000 (excluding marketing and finance costs). We have taken into account the aforesaid amounts in our valuation.

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7. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB385,600,000.
8. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Jiangyin Taichang has obtained the State-owned Land Use Certificates for the land use rights of the property. Jiangyin Taichang legally owns the land use rights of the property and the construction thereon. Jiangyin Taichang is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 8. iv. below;
 - ii. Jiangyin Taichang has obtained requisite permits/approvals/certificates in respect of the construction the property in accordance with its actual construction progress;
 - iii. Jiangyin Taichang has obtained the pre-sale permit for portion of the property and is entitled to pre-sell accordingly;
 - iv. the land use rights of the property subject to the State-owned Land Use Certificates Nos. Cheng Tu Guo Yong (2009) 13321 and 13324 are mortgaged. During the effective period of the mortgage, Jiangyin Taichang shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of such portion of the property; and
 - v. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 8. iv. above.
9. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	Yes
iii. Construction Works Planning Permit	Yes
iv. Construction Works Commencement Permit	Part
v. Pre-sale Permit	Part
vi. Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																					
17.	Dijingwan, Besides Government Square, Xincheng District, Shilong Town, Dongguan, Guangdong Province, PRC	The property is a residential development, namely Dijingwan (the “Development”), being developed on four parcels of land with a total site area of approximately 43,883.78 sq.m. (472,365 sq.ft.). According to the provided information, the property is being developed with a total gross floor area of approximately 122,118.28 sq.m. (1,314,481 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><th></th><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>112,143.07</td><td>1,207,108</td></tr><tr><td>Clubhouse</td><td>5,733.38</td><td>61,714</td></tr><tr><td>Basement</td><td>2,584.54</td><td>27,820</td></tr><tr><td>Ancillary Facilities</td><td><u>1,657.29</u></td><td><u>17,839</u></td></tr><tr><td>Total</td><td><u><u>122,118.28</u></u></td><td><u><u>1,314,481</u></u></td></tr></table>	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	112,143.07	1,207,108	Clubhouse	5,733.38	61,714	Basement	2,584.54	27,820	Ancillary Facilities	<u>1,657.29</u>	<u>17,839</u>	Total	<u><u>122,118.28</u></u>	<u><u>1,314,481</u></u>	The property is currently under construction.	RMB597,200,000 (100% interest attributable to the Group: RMB597,200,000)
Use	Gross Floor Area																								
	(sq.m.)	(sq.ft.)																							
Residential	112,143.07	1,207,108																							
Clubhouse	5,733.38	61,714																							
Basement	2,584.54	27,820																							
Ancillary Facilities	<u>1,657.29</u>	<u>17,839</u>																							
Total	<u><u>122,118.28</u></u>	<u><u>1,314,481</u></u>																							
The property is scheduled to be completed in 2010. The land use rights of the property have been granted for various terms expiring between August 27, 2063 and December 27, 2065 for commercial and residential uses.																									

APPENDIX IV

PROPERTY VALUATION REPORT

Notes:

1. Pursuant to four State-owned Land Use Certificates all issued by the People’s Government of Dongguan on June 25, 2007, the land use rights of the Development with a total site area of approximately 43,883.78 sq.m. have been granted to Dongguan Shilong. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Expiry Date	Use
(1)	Dong Fu Guo Yong (2007) Di Te 314	11,343.64	December 7, 2065	Commercial/residential
(2)	Dong Fu Guo Yong (2007) Di Te 315	13,113.42	August 27, 2063	Commercial/residential
(3)	Dong Fu Guo Yong (2007) Di Te 316	7,895.89	August 27, 2063	Commercial/residential
(4)	Dong Fu Guo Yong (2007) Di Te 317	<u>11,530.83</u>	December 27, 2065	Commercial/residential
Total		<u><u>43,883.78</u></u>		

2. Pursuant to 《石龍新城區舊村拆遷改造房地產項目合作合同書》(Cooperation Contract for Shilong New Urban Area Old Village Demolition and Reconstruction Real Estate Project) entered into between Dongguan Shilong (“Party A”) and Dongguan Kaisa Property (“Party B”) on January 29, 2007, Party A agreed to transfer the land use rights of four parcels of land with a total site area of approximately 43,980.35 sq.m. to Party B at a consideration of RMB87,960,700.
3. Pursuant to 《合作經營房地產合同書》(石字第2號) (Joint Operation of Real Estate Contract No. Shi Zi Di 2) entered into between Dongguan Shilong (“Party A”) and Dongguan Kaisa Property (“Party B”) on April 30, 2007, Party A and Party B agreed to jointly develop District R14 in Shilong New Urban Area. In addition, a cooperative management fee of RMB5,937,347 shall be paid by Party B within three months from the date of execution of the contract.
4. The Development is jointly developed by Dongguan Shilong and Dongguan Kaisa Property. Pursuant to 《關於核准石龍帝景灣商住區項目的通知》(東發改[2007]416號) (Notice regarding Permission on Shilong Dijingwan Commercial and Residential Project No. Dong Fa Gai [2007]416) issued by Dongguan City Development and Reformation Bureau, Dongguan Shilong has gained joint cooperation interests in the form of receiving land premium of RMB86,000,000 and a one-off payment of RMB5,920,000 from Dongguan Kaisa Property for the project and will not undertake any loss and risk in the project whereas Dongguan Kaisa Property is entitled to all the remaining interests in the project and will undertake all losses and risks.

Further pursuant to 《關於石龍帝景灣商住小區項目的補充協議》(Supplemental Agreement on Dijingwan Commercial and Residential Project) entered into in January 2008, Dongguan Shilong confirmed that the land premium and the one-off payment mentioned in the Notice regarding Permission on Shilong Dijingwan Commercial and Residential Project were included in the consideration of RMB87,960,700 as stated in the Cooperation Contract for Shilong New Urban Area Old Village Demolition and Reconstruction Real Estate Project abovementioned in Note 2. and in the cooperative management fee of RMB5,937,347 as stated in the Joint Operation of Real Estate Contract abovementioned in Note 3.

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5. Pursuant to Construction Land Planning Permit No. 2007-02-10011 issued by Dongguan Urban Construction Planning Bureau on November 13, 2007, the land of the Development with a total site area of approximately 46,474.32 sq.m. is permitted for residential use.
6. Pursuant to various Construction Works Planning Permits all issued by Dongguan Urban Construction Planning Bureau on March 11, 2008, the approved construction scale of the property is approximately 155,431.97 sq.m.. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Basement	2008-02-10051	36,693.15	March 11, 2008
(2)	Blocks 1 to 4 and clubhouse	2008-02-10040	17,160.98	March 11, 2008
(3)	Blocks 5, 6	2008-02-10041	6,971.45	March 11, 2008
(4)	Blocks 7, 8	2008-02-10042	17,871.78	March 11, 2008
(5)	Blocks 9, 10	2008-02-10043	16,819.56	March 11, 2008
(6)	Blocks 11, 12	2008-02-10044	14,210.93	March 11, 2008
(7)	Blocks 13, 14	2008-02-10045	13,456.11	March 11, 2008
(8)	Blocks 15, 16	2008-02-10046	16,882.66	March 11, 2008
(9)	Block 17	2008-02-10047	4,141.04	March 11, 2008
(10)	Block 18	2008-02-10048	4,141.04	March 11, 2008
(11)	Blocks 19 to 25	2008-02-10049	4,240.67	March 11, 2008
(12)	Blocks 26 to 30	2008-02-10050	2,842.60	March 11, 2008

Total 155,431.97

7. Pursuant to various Construction Works Commencement Permits all issued by Dongguan Construction Bureau, commencement of the construction of the property with a total gross floor area of approximately 144,043.89 sq.m. is permitted. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Blocks 1 to 4 and clubhouse	4419002008082600601	17,160.98	August 26, 2008
(2)	Blocks 5, 6	44190020080826005	6,971.45	August 26, 2008
(3)	Blocks 7, 8	4419002008082600401	17,871.78	August 26, 2008
(4)	Blocks 9, 10	4419002008110500101	16,819.56	November 5, 2008
(5)	Blocks 11, 12	4419002008110500201	14,210.93	November 5, 2008
(6)	Blocks 13, 14	4419002008110500301	13,456.11	November 5, 2008
(7)	Blocks 15, 16	4419002008110500401	16,882.66	November 5, 2008
(8)	Block 17	4419002008082600301	4,141.04	August 26, 2008
(9)	Block 18	4419002008082600201	4,141.04	August 26, 2008
(10)	Blocks 19 to 25	4419002008042100301	4,240.67	April 21, 2008
(11)	Blocks 26 to 30	4419002008042100201	2,842.60	April 21, 2008
(12)	Basement	4419002008042100401	25,305.07	April 21, 2008

Total 144,043.89

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8. Pursuant to three Pre-sale Permits all issued by Dongguan Construction Bureau on December 18, 2008, Blocks 1 to 30 of the property with a total gross floor area of approximately 111,208.00 sq.m. are permitted for pre-sale. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Blocks 1 to 4, 15 to 18	08 Dongguan Shang Fang Yu Zheng Zi Di 00304	36,350.00	December 18, 2008
(2)	Blocks 19 to 30	08 Dongguan Shang Fang Yu Zheng Zi Di 00305	7,083.00	December 18, 2008
(3)	Blocks 5 to 14	08 Dongguan Shang Fang Yu Zheng Zi Di 00306	67,775.00	December 18, 2008
Total			<u>111,208.00</u>	

9. Various units of the property with a total gross floor area of approximately 55,914.18 sq.m. have been pre-sold under various sales and purchase agreements at a total consideration of RMB462,846,180 which is included in our valuation.
10. As advised by the Company, the total construction cost expended as at the Valuation Date was RMB202,120,000 and the estimated outstanding construction cost for completion of the property will be RMB192,280,000 (excluding marketing and finance costs). We have taken into account the aforesaid amounts in our valuation.
11. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB947,200,000.
12. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
- the land premium of the property has been fully settled and Dongguan Shilong has obtained the State-owned Land Use Certificates Dong Fu Guo Yong (2007) Di Te Nos. 314 to 317. Dongguan Kaisa Property and Dongguan Shilong legally owns the land use rights of the property and the construction thereon. Dongguan Kaisa Property and Dongguan Shilong are entitled to occupy, use, lease, mortgage, transfer or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 12. v. below;
 - for the State-owned Land Use Certificates of the property to remain to be held by Dongguan Shilong, it is in compliance with the relevant PRC laws and regulations. Dongguan Kaisa Property is entitled to the interests in the property because it is a party to the cooperation development of the property, and its legal interests in the property are protected by PRC laws;
 - Dongguan Kaisa Property and Dongguan Shilong have obtained requisite permits/ approvals/certificates in respect of the construction of the property in accordance with its actual construction progress;

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- iv. Dongguan Kaisa Property and Dongguan Shilong have obtained the pre-sale permits for the pre-sold portion of the property and are entitled to pre-sell accordingly;
 - v. for the pre-sold portion of the property, Dongguan Kaisa Property and Dongguan Shilong have no right to transfer, lease, mortgage or by other legal means dispose of the building ownership and the underlying land use rights of such portion of the property before obtaining consent of the corresponding purchasers or withdrawal of the relevant sales and purchase agreements; and
 - vi. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 12. v. above.
13. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	Yes
iv.	Construction Works Commencement Permit	Yes
v.	Pre-sale Permit	Part
vi.	Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
18.	Jincui Garden, Cuizhu Road, Luohu District, Shenzhen, Guangdong Province, PRC	The property is a residential and commercial development, namely Jincui Garden (the “Development”) comprising 4 high-rise buildings and is being developed on a parcel of land with a site area of approximately 9,066.16 sq.m. (97,588 sq.ft.).	The property is currently under construction.	RMB747,100,000 (100% interest attributable to the Group: RMB747,100,000)

According to the provided information, the property is being developed with a total gross floor area of approximately 104,285.49 sq.m. (1,122,529 sq.ft.), the breakdown of which is as follows:

Use	Gross Floor Area	
	(sq.m.)	(sq.ft.)
Residential	41,016.64	441,503
Commercial	5,020.51	54,041
Jewellery		
Inspection		
Center	26,994.72	290,571
Ancillary		
Facilities	<u>31,253.62</u>	<u>336,414</u>
Total	<u>104,285.49</u>	<u>1,122,529</u>

The property is scheduled to be completed in 2010.

The land use rights of the property have been granted for a term of 70 years commencing on June 6, 2008 and expiring on June 5, 2078 for residential use.

Notes:

- Pursuant to Real Estate Title Certificate No. Shen Fang Di Zi Di 2000417146 issued by Shenzhen Land Resources and Housing Administrative Bureau on July 22, 2008, the land use rights of the property with a site area of 9,066.16 sq.m. have been granted to Shenzhen Kaisa Property for a term of 70 years commencing on June 6, 2008 and expiring on June 5, 2078 for residential use.

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2. Pursuant to various Construction Land Planning Permits issued by Shenzhen Planning Bureau, Direct Sub-Bureau, the land of, *inter alia*, the property with a total site area of approximately 21,591.77 sq.m. is permitted for use. Details of such permits are as follows:

No.	Permit No.	Use.	Site area (sq.m.)	Issuance Date
(1)	Shen Gui Xu ZS-2008-0099	Residential/commercial/car parks	10,467.23	June 30, 2008
(2)	Shen Gui Xu ZS-2008-0023	Health Facilities	166.30	February 4, 2008
(3)	Shen Gui Xu ZS-2008-0025	Public Traffic	3,464.19	February 14, 2008
(4)	Shen Gui Xu ZS-2008-0047	Scientific	7,494.05	March 26 2008
Total			<u>21,591.77</u>	

3. Pursuant to two Construction Works Planning Permits Nos. Shen Gui Jian Xu Zi ZS-2008-0116 and ZS-2009-0021 both issued by Shenzhen Planning Bureau, Direct Sub-Bureau on November 6, 2008 and March 1, 2009 respectively, the approved construction scale of the property is approximately 106,742.86 sq.m..
4. Pursuant to two Construction Works Commencement Permits Nos. 44030320080038001 and 44030320090048002 both issued by Shenzhen Luohu District Construction Bureau on November 12, 2008 and March 26, 2009 respectively, commencement of the construction of the property with a total gross floor area of approximately 106,742.86 sq.m. is permitted.
5. Pursuant to Pre-sale Permit No. Shen Fang Xu Zi (2009) Luohu 009 issued by Shenzhen Land Resources and Housing Administrative Bureau on September 30, 2009, 527 residential units and 28 commercial units of Jincui Garden with a total gross floor area of approximately 45,882.99 sq.m. are permitted for pre-sale.
6. As advised by the Company, the total construction cost expended as at the Valuation Date was RMB96,860,000 and the outstanding construction cost for completion of the property will be RMB359,740,000. We have taken into account the aforesaid amounts in our valuation.
7. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB1,503,900,000.
8. We have ascribed no commercial value to the Jewellery Inspection Center as such portion of the property shall be allocated to the government.

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PROPERTY VALUATION REPORT

9. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the consideration and additional land premium of the property have been fully settled and Shenzhen Kaisa Property has obtained the Real Estate Title Certificate for the land use rights of the property. Shenzhen Kaisa Property legally owns the land use rights of the property and the construction thereon. Shenzhen Kaisa Property is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term;
 - ii. Shenzhen Kaisa Property has obtained requisite permits/approvals/certificates in respect of the construction of the property in accordance with its actual construction progress; and
 - iii. the property is not subject to any mortgage or other third party’s encumbrance.
10. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	Yes
iii. Construction Works Planning Permit	Yes
iv. Construction Works Commencement Permit	Yes
v. Pre-sale Permit	Part
vi. Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																		
19.	Phase I of Huizhou Kaisa Center, No. 18 Sub-district Jiangbei, Huizhou, Guangdong Province, PRC	Huizhou Kaisa Center (the “Development”) is a large-scale commercial development to be developed in three phases. The property under consideration comprises Phase I of the Development which is erected on a parcel of land with a site area of approximately 12,467.90 sq.m. (134,204 sq.ft.). According to the provided information, the property is being developed with a total gross floor area of approximately 104,644.00 sq.m. (1,126,388 sq.ft.), the breakdown of which is as follows: <table><tr><th>Uses</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Apartment</td><td>63,964.00</td><td>688,508</td></tr><tr><td>Commercial</td><td>10,908.00</td><td>117,414</td></tr><tr><td>Others</td><td><u>29,772.00</u></td><td><u>320,466</u></td></tr><tr><td>Total</td><td><u>104,644.00</u></td><td><u>1,126,388</u></td></tr></table> The property is scheduled to be completed in 2011. The land use rights of the property have been granted for a term expiring on April 14, 2062 for commercial use.	Uses	Gross Floor Area			(sq.m.)	(sq.ft.)	Apartment	63,964.00	688,508	Commercial	10,908.00	117,414	Others	<u>29,772.00</u>	<u>320,466</u>	Total	<u>104,644.00</u>	<u>1,126,388</u>	The property is currently under construction.	RMB364,600,000 (100% interest attributable to the Group: RMB364,600,000)
Uses	Gross Floor Area																					
	(sq.m.)	(sq.ft.)																				
Apartment	63,964.00	688,508																				
Commercial	10,908.00	117,414																				
Others	<u>29,772.00</u>	<u>320,466</u>																				
Total	<u>104,644.00</u>	<u>1,126,388</u>																				

Notes:

- Pursuant to State-owned Land Use Certificate No. Hui Fu Guo Yong (2008) Di 13020100106 issued by the People’s Government of Huizhou on April 7, 2008, the land use rights of the property with a site area of approximately 12,467.90 sq.m. have been granted to Huizhou Canrong Property Co., Ltd. (惠州燦榮房產有限公司) (“Huizhou Canrong”), a wholly-owned subsidiary of the Company, for a term expiring on April 14, 2062 for commercial use.

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2. Pursuant to Construction Land Planning Permit No. Hui Shi Gui Zheng (2008) 0437 issued by Huizhou Planning Construction Bureau on October 10, 2008, the land of the property with a site area of approximately 12,467.90 sq.m. is permitted for commercial/financial use.
3. Pursuant to Construction Works Planning Permit No. Jian Zi 441302 (2009) 10152 issued by Huizhou Planning Construction Bureau on March 26, 2009, the approved construction scale of the piping and wiring works of the property is approximately 2,150.00 sq.m..
4. Pursuant to Construction Works Planning Permit No. Jian Zi 441302 (2009)10297 issued by Huizhou Planning Construction Bureau on June 17, 2009, the approved construction scale of the property is approximately 104,644.00 sq.m..
5. Pursuant to Construction Works Commencement Permit No. 442501200908310101 issued by Huizhou Planning Construction Bureau on August 31, 2009, commencement of the construction of the property with a total gross floor area of approximately 104,644 sq.m. is permitted.
6. As advised by the Company, the total construction cost expended as at the Valuation Date was RMB173,580,000 and the estimated outstanding construction cost for completion of the property will be RMB88,420,000 (excluding marketing and finance costs). We have taken into account the aforesaid amounts in our valuation.
7. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB686,300,000.
8. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Huizhou Canrong has obtained the State-owned Land Use Certificate for the land use rights of the property. Huizhou Canrong legally owns the land use rights of the property and the construction thereon. Huizhou Canrong is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 8. iii. below;
 - ii. Huizhou Canrong has obtained requisite permits/approvals/certificates in respect of the construction of the property in accordance with its actual construction progress;
 - iii. the land use rights of the property subject to the State-owned Land Use Certificate No. Hui Fu Guo Yong (2008) Di 13020100106 are mortgaged. During the effective period of the mortgage, Huizhou Canrong shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property;
 - iv. since the delay in development of the property is caused by the zoning adjustment made by the government, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority; and
 - v. the property is not subject any mortgage or other third party’s encumbrance save for the portion referred to Note in 8. iii. above.

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PROPERTY VALUATION REPORT

9. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	Yes
iv.	Construction Works Commencement Permit	Yes
v.	Pre-sale Permit	No
vi.	Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																					
20.	Phase I of Dongjiang Haomen, South side of Dongjiang Avenue, Yangwu Village and Qishi Village, Qishi Town, Dongguan, Guangdong Province, PRC	Dongjiang Haomen (the “Development”) is a large-scale residential development to be developed in three phases on three parcels of land with a total site area of approximately 86,324.10 sq.m. (929,193 sq.ft.). The property under consideration comprises Phase I of the Development. According to the provided information, the property is being developed with a total gross floor area of approximately 64,351.00 sq.m. (692,674 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>57,180.80</td><td>615,494</td></tr><tr><td>Retail</td><td>1,326.14</td><td>14,275</td></tr><tr><td>Clubhouse</td><td>3,793.32</td><td>40,831</td></tr><tr><td>Basement</td><td><u>2,050.74</u></td><td><u>22,074</u></td></tr><tr><td>Total</td><td><u><u>64,351.00</u></u></td><td><u><u>692,674</u></u></td></tr></table> The property is scheduled to be completed in 2011. The land use rights of the property have been granted for a term expiring on February 16, 2078 for commercial and residential uses.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	57,180.80	615,494	Retail	1,326.14	14,275	Clubhouse	3,793.32	40,831	Basement	<u>2,050.74</u>	<u>22,074</u>	Total	<u><u>64,351.00</u></u>	<u><u>692,674</u></u>	The property is currently under construction.	RMB165,000,000 (100% interest attributable to the Group: RMB165,000,000)
Use	Gross Floor Area																								
	(sq.m.)	(sq.ft.)																							
Residential	57,180.80	615,494																							
Retail	1,326.14	14,275																							
Clubhouse	3,793.32	40,831																							
Basement	<u>2,050.74</u>	<u>22,074</u>																							
Total	<u><u>64,351.00</u></u>	<u><u>692,674</u></u>																							

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PROPERTY VALUATION REPORT

Notes:

- Pursuant to three State-owned Land Use Certificates all issued by the People’s Government of Dongguan, the land use rights of the Development with a total site area of approximately 86,324.10 sq.m. have been granted to Dongguan Yingtai Property Development Co., Ltd (東莞市盈泰房地產開發有限公司) (“Dongguan Yingtai”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Expiry Date	Use
(1)	Dong Fu Guo Yong (2008) Di Te 363	38,095.20	February 16, 2078	Commercial/residential
(2)	Dong Fu Guo Yong (2008) Di Te 364	31,572.10	February 16, 2078	Commercial/residential
(3)	Dong Fu Guo Yong (2008) Di Te 365	<u>16,656.80</u>	February 16, 2078	Commercial/residential
Total		<u><u>86,324.10</u></u>		

- Pursuant to Construction Land Planning Permit No. Di Zi Di 2008-27-10001 issued by Dongguan Urban Construction Planning Bureau on February 21, 2008, the land of the Development with a site area of approximately 86,324.1580 sq.m. is permitted for residential use.
- Pursuant to various Construction Works Planning Permits issued by Dongguan Urban Construction Planning Bureau, the approved construction scale of the property is approximately 64,351.00 sq.m.. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Block 1	Jian Zi Di 2008-27-10007	8,879.58	August 26, 2008
(2)	Block 2	Jian Zi Di 2008-27-10008	7,551.16	August 26, 2008
(3)	Block 3	Jian Zi Di 2008-27-10009	7,025.83	August 26, 2008
(4)	Block 4	Jian Zi Di 2008-27-10010	5,566.04	August 26, 2008
(5)	Block 5	Jian Zi Di 2008-27-10011	5,566.61	August 26, 2008
(6)	Blocks 6 to10	Jian Zi Di 2008-27-10012	3,368.85	August 26, 2008
(7)	Blocks 11 to 14	Jian Zi Di 2008-27-10013	2,738.36	August 26, 2008
(8)	Blocks 15 to 18	Jian Zi Di 2008-27-10014	2,683.16	August 26, 2008
(9)	Block 19	Jian Zi Di 2008-27-10015	8,242.82	August 26, 2008
(10)	Block 20	Jian Zi Di 2008-27-10016	8,935.27	August 26, 2008
(11)	Clubhouse	Jian Zi Di 2008-27-10017	<u>3,793.32</u>	August 26, 2008
Total			<u><u>64,351.00</u></u>	

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4. Pursuant to various Construction Works Commencement Permits issued by Dongguan Construction Bureau, commencement of the construction of portion of the property with a total gross floor area of approximately 60,557.68 sq.m. is permitted. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Block 1	4419002009012101401	8,879.58	January 21, 2009
(2)	Block 2	4419002009012101501	7,551.16	January 21, 2009
(3)	Block 3	4419002009012101601	7,025.83	January 21, 2009
(4)	Block 4	4419002009012101801	5,566.04	January 21, 2009
(5)	Block 5	4419002009012101901	5,566.61	January 21, 2009
(6)	Blocks 6 to 10	4419002009012101201	3,368.85	January 21, 2009
(7)	Blocks 11 to 14	4419002009012102001	2,738.36	January 21, 2009
(8)	Blocks 15 to 18	4419002009012102101	2,683.16	January 21, 2009
(9)	Block 19	4419002009012102201	8,242.82	January 21, 2009
(10)	Block 20	4419002009012102301	<u>8,935.27</u>	January 21, 2009
Total			<u><u>60,557.68</u></u>	

5. As advised by the Company, the total construction cost expended as at the Valuation Date was RMB21,370,000 and the estimated outstanding construction cost for completion of the property will be RMB111,130,000 (excluding marketing and finance costs). We have taken into account the aforesaid amounts in our valuation.
6. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB425,900,000.
7. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
- the land premium of the property has been fully settled and Dongguan Yingtai has obtained the State-owned Land Use Certificates for the land use rights of the property. Dongguan Yingtai legally owns the land use rights of the property and the construction thereon. Dongguan Yingtai is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 7. iii. below;
 - Dongguan Yingtai has obtained requisite permits/approvals/certificates in respect of the construction of the property in accordance with its actual construction progress;
 - the land use rights of the property subject to the State-owned Land Use Certificate Nos. Dong Fu Guo Yong (2008) Di Te 363 and 364 are mortgaged. During the effective period of the mortgage, Dongguan Yingtai shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of such portion of the property; and

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- iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 7. iii. above.
- 8. A summary of major certificates/approvals is shown as follows:
 - i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate Yes
 - ii. Construction Land Planning Permit Yes
 - iii. Construction Works Planning Permit Yes
 - iv. Construction Works Commencement Permit Part
 - v. Pre-sale Permit No
 - vi. Completed Construction Works Certified Report/
Real Estate Construction Project Completion Examination
Archival Acknowledgments No
 - vii. Real Estate Title Certificate/Realty Title and Rights Certificate No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
21.	Phase I of Lijing Harbor located at Groups 1 and 2, Ban Huafeng Village, Yongquan Street, Wenjiang District, Chengdu, Sichuan Province, PRC	Lijing Harbor (the “Development”) is a residential development to be developed in six phases on a parcel of land with a site area of approximately 150,071.33 sq.m. (1,615,368 sq.ft.). The property under consideration comprises Phase I of the Development.	The property is currently under construction.	RMB544,400,000 (100% interest attributable to the Group: RMB544,400,000)

According to the provided information, the property is being developed with a total gross floor area of approximately 205,818.86 sq.m. (2,215,434 sq.ft.), the breakdown of which is as follows:

Phase I

Use	Gross Floor Area	
	(sq.m.)	(sq.ft.)
Residential	198,906.54	2,141,030
Facilities	<u>6,912.32</u>	<u>74,404</u>
Total	<u>205,818.86</u>	<u>2,215,434</u>

The property is scheduled to be completed in 2010.

The land use rights of the property have been granted for terms expiring on August 12, 2075 and August 12, 2045 for residential and commercial uses respectively.

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Notes:

1. Pursuant to State-owned Land Use Certificate No. Wen Guo Yong (2009) Di 11355 issued by the People’s Government of Wenjiang on September 24, 2009, the land use rights of the Development in which the property is located with a site area of approximately 150,071.33 sq.m. have been granted to Sichuan Tianzi Zhiye Co., Ltd. (四川天姿置業有限公司) (“Sichuan Tianzi”), a wholly-owned subsidiary of the Company. The land use rights of the property have been granted for terms expiring on August 12, 2045 and August 12, 2075 for commercial and residential uses respectively.
2. Pursuant to Construction Land Planning Permit No. Cheng Gui Jian [2006] 183 issued by Chengdu Wenjiang Planning Administrative Bureau on December 8, 2006, the land of the Development in which the property is located with a site area of approximately 225.104 mu is permitted for use.
3. Pursuant to two Construction Works Planning Permits both issued by Chengdu Wenjiang Planning Administrative Bureau on May 8, 2008, the approved construction scale of the property is approximately 266,310.40 sq.m.. Details of such certificates are as follows:

No.	Permit No.	Gross Floor Area (sq.m.)
(1)	Jian Zi Di 510115200830026	158,925.74
(2)	Jian Zi Di 510115200830027	<u>107,384.66</u>
Total		<u><u>266,310.40</u></u>

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4. Pursuant to two Construction Works Commencement Permits both issued by Chengdu Wenjiang District Construction Bureau on August 29, 2008, the approved construction scale of the property is approximately 266,310.40 sq.m.. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)
(1)	Blocks 1, 2, 3, 4, 10, 11, 12 and basement	510123200808290102	147,283.83
(2)	Blocks 5, 6, 7, 8, 9, kindergarten, clubhouse and basement	510123200808290103	119,026.57
Total			<u>266,310.40</u>

5. Pursuant to three Pre-sale Permits all issued by Chengdu Wenjiang District Housing Management Bureau, the property with a total gross floor area of approximately 205,806.63 sq.m. is permitted for pre-sale. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Blocks 6, 9	Cheng Fang Yu Shou Wenjiang District Zi Di 656	33,359.33	August 4, 2008
(2)	Blocks 1-3, 11-12	Cheng Fang Yu Shou Wenjiang District Zi Di 691	83,750.16	September 12, 2008
(3)	Blocks 4, 5, 7, 8, 10	Cheng Fang Yu Shou Wenjiang Qu Zi Di 673	88,697.14	December 2, 2008
Total			<u>205,806.63</u>	

6. As advised by the Company, the construction cost expended as at the Valuation Date was RMB303,110,000 and the outstanding construction cost for completion of the property will be RMB343,990,000 (excluding marketing and finance costs). We have taken into account the aforesaid amounts in our valuation.
7. Various residential units of the property with a total gross floor area of approximately 108,086.26 sq.m. have been pre-sold under various sales and purchase agreements at a total consideration of RMB417,560,781, which is included in our valuation.
8. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB799,000,000.

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9. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Sichuan Tianzi has obtained the State-owned Land Use Certificate for the land use rights of the property. Sichuan Tianzi legally owns the land use rights of the property and the construction thereon. Sichuan Tianzi is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 9. iv. below;
 - ii. Sichuan Tianzi has obtained requisite permits/approvals/certificates in respect of the construction of the property in accordance with its actual construction progress;
 - iii. Sichuan Tianzi has obtained the pre-sale permits for the pre-sold portion of the property and is entitled to pre-sell accordingly;
 - iv. for the pre-sold portion of the property, Sichuan Tianzi has no right to transfer, lease, mortgage or by other legal means dispose of the building ownership and the underlying land use rights of such portion of the property before obtaining consent of the corresponding purchasers or withdrawal of the relevant sales and purchase agreements; and
 - v. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 9. iv. above.
10. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	Yes
iii. Construction Works Planning Permit	Yes
iv. Construction Works Commencement Permit	Yes
v. Pre-sale Permit	Yes
vi. Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
22.	Phase I of Shanghai Shanhuwan Garden, 26/16 Qiu, No. 1 Street, Fengxin Town, Fengxian District, Shanghai, PRC	Shanghai Shanhuwan Garden (the “Development”) is a large-scale residential development to be developed in four phases on a parcel of land with a site area of approximately 104,796.00 sq.m. (1,128,024 sq.ft.). The property under consideration comprises Phase I of the Development. According to the provided information, the property is to be developed with a total gross floor area of approximately 32,471.78 sq.m. (349,526 sq.ft.). The property is scheduled to be completed in 2010. The land use rights of the property have been granted for a term commencing on August 10, 2007 and expiring on December 7, 2076 for residential use.	The property is currently under construction.	RMB329,800,000 (100% interest attributable to the Group: RMB329,800,000)

Notes:

- Pursuant to Shanghai Real Estate Title Certificate No. Hu Fang Di Feng Zi (2007) 010817 issued by Shanghai Housing and Land Resources Administration Bureau on September 26, 2007, the land use rights of the Development with a site area of 104,796.00 sq.m. have been granted to Shanghai Xinwan Investment Development Co., Ltd. (上海新灣投資發展有限公司) (“Shanghai Xinwan”), a wholly-owned subsidiary of the Company, for a term commencing on August 10, 2007 and expiring on December 7, 2076 for residential use.

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2. Pursuant to Construction Land Planning Permit No. Di Zi Di Hu Feng Di (2008) 20080611E00666 issued by Planning Bureau of Shanghai Fengxian District Municipality on June 11, 2008, the land of the Development with a site area of approximately 108,306 sq.m. (including 3,510 sq.m. for green plot) is permitted for residential use.
3. Pursuant to Construction Works Planning Permits No. Hu Feng Jian (2008) 20081216F03157 issued by Shanghai Fengxian District Planning Bureau on December 16, 2008, the approved construction scale of Blocks 1 to 31 of the Development is approximately 31,330.00 sq.m..
4. Pursuant to two Construction Works Commencement Permits issued by Shanghai Construction Business Management Office, commencement of the construction of the property with a total gross floor area of approximately 31,330.00 sq.m. is permitted. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Blocks 1 to 7, 12 to 19	0801FX0010D01/ 310120200805272419	15,408.00	March 23, 2009
(2)	Blocks 8 to 11, 20 to 31	0801FX0010D01/ 310120200805272419	15,922.00	March 23, 2009
Total			<u>31,330.00</u>	

5. Pursuant to Pre-sale Permit No. Feng Xian Fang Di (2009) Yu Zi 0000478 issued by Shanghai Fengxian District Municipal Bureau of Social Housing and Building Administration on July 17, 2009, the property with a total gross floor area of approximately 32,471.78 sq.m. is permitted for pre-sale.
6. As advised by the Company, the total construction cost expended as at the Valuation Date was RMB111,000,000 and the estimated outstanding construction cost for completion of the property will be RMB8,900,000 (excluding marketing and finance costs). We have taken into account the aforesaid amounts in our valuation.
7. Various residential units of the property with a total gross floor area of approximately 1,966.14 sq.m. have been pre-sold under various sales and purchases agreements at a total consideration of RMB22,246,083 which is included in our valuation.
8. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB424,900,000.
9. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Shanghai Xinwan has obtained the Shanghai Real Estate Title Certificate for the land use rights of the property. Shanghai Xinwan legally owns the land use rights of the property and the construction thereon. Shanghai Xinwan is entitled to occupy, use, transfer, lease,

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mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portions referred to in Notes 9. iv. and v. below;

- ii. Shanghai Xinwan has obtained requisite permits/approvals/certificates in respect of the construction the property in accordance with its actual construction progress;
 - iii. Shanghai Xinwan has obtained the pre-sale permit for the pre-sold portion of the property and is entitled to pre-sell accordingly;
 - iv. for the pre-sold portion of the property, Shanghai Xinwan has no right to transfer, lease, mortgage or by other legal means dispose of the building ownership and the underlying land use rights of such portion of the property before obtaining consent of the corresponding purchasers or withdrawal of the relevant sales and purchase agreements;
 - v. the land use rights of the Development subject to the Shanghai Real Estate Title Certificate No. Hu Fang Di Feng Zi (2007) 010817 are mortgaged. During the effective period of the mortgage, Shanghai Xinwan shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property; and
 - vi. the property is not subject to any mortgage or other third party’s encumbrance save for the portions referred to in Notes 9. iv. and v. above.
10. A summary of major certificates/approvals is shown as follows:
- | | | |
|------|---|------|
| i. | State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate | Yes |
| ii. | Construction Land Planning Permit | Yes |
| iii. | Construction Works Planning Permit | Part |
| iv. | Construction Works Commencement Permit | Part |
| v. | Pre-sale Permit | Yes |
| vi. | Completed Construction Works Certified Report/
Real Estate Construction Project Completion Examination
Archival Acknowledgments | No |
| vii. | Real Estate Title Certificate/Realty Title and Rights Certificate | No |

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																				
23.	Shangpin Garden, Bantian Street, Longgang District, Shenzhen, Guangdong Province, PRC	The property is a residential development, namely Shangpin Garden (the “Development”), being developed on a parcel of land with a site area of approximately 45,829.49 sq.m. (493,309 sq.ft.) According to the provided information, the property is being developed with a total gross floor area of approximately 230,922.75 sq.m. (2,485,652 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>147,763.15</td><td>1,590,523</td></tr><tr><td>Commercial</td><td>7,467.60</td><td>80,381</td></tr><tr><td>Car parks</td><td>67,787.04</td><td>729,659</td></tr><tr><td>Ancillary facilities</td><td><u>7,904.96</u></td><td><u>85,089</u></td></tr><tr><td>Total</td><td><u><u>230,922.75</u></u></td><td><u><u>2,485,652</u></u></td></tr></table> The property is scheduled to be completed in 2010. The land use rights of the property have been granted for a term of 70 years commencing on March 1, 2006 and expiring on February 29, 2076 for residential use.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	147,763.15	1,590,523	Commercial	7,467.60	80,381	Car parks	67,787.04	729,659	Ancillary facilities	<u>7,904.96</u>	<u>85,089</u>	Total	<u><u>230,922.75</u></u>	<u><u>2,485,652</u></u>	The property is currently under construction. (100% interest attributable to the Group: RMB1,259,000,000)
Use	Gross Floor Area																							
	(sq.m.)	(sq.ft.)																						
Residential	147,763.15	1,590,523																						
Commercial	7,467.60	80,381																						
Car parks	67,787.04	729,659																						
Ancillary facilities	<u>7,904.96</u>	<u>85,089</u>																						
Total	<u><u>230,922.75</u></u>	<u><u>2,485,652</u></u>																						

Notes:

- Pursuant to Real Estate Title Certificate No. Shen Fang Di Zi 6000306879 issued by Shenzhen Land Resources and Housing Administrative Bureau on August 5, 2008, the land use rights of the property with a site area of approximately 45,829.49 sq.m. have been granted to Shenzhen Jiachangxin Investment Consulting Co., Ltd. (深圳市佳昌信投資諮詢有

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限公司) (“Jiachangxin Investment”), a wholly-owned subsidiary of the Company, for a term of 70 years commencing on March 1, 2006 and expiring on February 29, 2076 for residential use.

2. Pursuant to Construction Land Planning Permit No. Shen Gui Xu LG-2007-0309 issued by Shenzhen Planning Bureau, Longgang Branch on December 3, 2007, the land of the property with a site area of approximately 45,829.49 sq.m. is permitted for residential use.
3. Pursuant to three Construction Works Planning Permits all issued by Shenzhen Planning Bureau, Longgang Branch on September 10, 2008, the approved construction scale of the property is approximately 162,944.62 sq.m.. Details of such permits are as follows:

No.	Block	Permit No.	Gross floor area (sq.m.)
(1)	Blocks 5 and 6, kindergarten	Shen Gui Jian Xu Zi LG-2008-0285	45,822.06
(2)	Blocks 1 and 7	Shen Gui Jian Xu Zi LG-2008-0278	43,027.87
(3)	Blocks 2 to 4	Shen Gui Jian Xu Zi LG-2008-0284	74,094.69
Total			162,944.62

4. Pursuant to three Construction Works Commencement Permits issued by Shenzhen Longgang District Construction Bureau, the commencement of the construction of the property with a total gross floor area of approximately 230,628.07 sq.m. is permitted. Details of such permits are as follows:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Block 1 and 7	44030720080901903	55,496.92	September 17, 2008
(2)	Block 2 to 4	44030720080901902	113,241.78	September 17, 2008
(3)	Block 5 and 6, kindergarten	44030720080901901	61,889.37	September 17, 2008
Total			230,628.07	

5. Pursuant to Pre-sale Permit No. Shen Fang Xu Zi (2009) Long Gang 031 issued by Shenzhen Land Resources and Housing Administrative Bureau on July 17, 2009, portion of the property with a total gross floor area of approximately 155,230.75 sq.m. is permitted for pre-sale.
6. As advised by the Company, the total construction cost expended as at the Valuation Date was approximately RMB208,590,000 and the estimated outstanding construction cost for completion of the property will be RMB485,610,000 (excluding marketing and finance costs). We have taken into account the aforesaid amounts in our valuation.

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7. 79 residential units of the property with a total gross floor area of approximately 6,637.38 sq.m. have been pre-sold under various sales and purchase agreements at a total consideration of RMB82,433,626, which is included in our valuation.
8. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB2,073,900,000.
9. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Jiachangxin Investment has obtained the Real Estate Title Certificate for the land use rights of the property. Jiachangxin Investment legally owns the land use rights of the property and the construction thereon. Jiachangxin Investment is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 9. iv. below;
 - ii. Jiachangxin Investment has obtained requisite permits/approvals/certificates in respect of the construction of the property in accordance with its actual construction progress;
 - iii. Jiachangxin Investment has obtained the pre-sale permits for the pre-sold portion of the property and is entitled to pre-sell accordingly;
 - iv. for the pre-sold portion of the property, Jiachangxin Investment has no right to transfer, lease, mortgage or by other legal means dispose of the building ownership and the underlying land use rights of such portion of the property before obtaining consent of the corresponding purchasers or withdrawal of the relevant sales and purchase agreements; and
 - v. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 9. iv. above.
10. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	Yes
iii. Construction Works Planning Permit	Part
iv. Construction Works Commencement Permit	Part
v. Pre-sale Permit	Part
vi. Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009															
24.	Phase I of Changsha Lake View Place, Tiaoma County Jinping Village, Changsha, Hunan Province, PRC	Changsha Lake View Place (the “Development”) is a large-scale residential development to be developed in six phases on seven parcels of land with a total site area of approximately 673,536.00 sq.m. (7,249,942 sq.ft.) The property under consideration comprises Phase I of the Development. According to the provided information, the property is being developed with a total gross floor area of approximately 80,055.00 sq.m. (861,712 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>75,508.00</td><td>812,768</td></tr><tr><td>Facilities</td><td><u>4,547.00</u></td><td><u>48,944</u></td></tr><tr><td>Total</td><td><u><u>80,055.00</u></u></td><td><u><u>861,712</u></u></td></tr></table> The property is scheduled to be completed in 2010. The land use rights of the property have been granted for terms of 70 years and 40 years expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	75,508.00	812,768	Facilities	<u>4,547.00</u>	<u>48,944</u>	Total	<u><u>80,055.00</u></u>	<u><u>861,712</u></u>	The property is currently under construction.	RMB180,000,000 (100% interest attributable to the Group RMB180,000,000)
Use	Gross Floor Area																		
	(sq.m.)	(sq.ft.)																	
Residential	75,508.00	812,768																	
Facilities	<u>4,547.00</u>	<u>48,944</u>																	
Total	<u><u>80,055.00</u></u>	<u><u>861,712</u></u>																	

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Notes:

- Pursuant to various State-owned Land Use Certificates all issued by the People’s Government of Changsha on March 12, 2008, the land use rights of the Development with a total site area of 673,536.00 sq.m. have been granted to Hunan Kaisa Property Development Co., Ltd. (湖南佳兆業房地產開發有限公司) (“Hunan Kaisa Property”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Land Use Term and Use
(1)	Chang Guo Yong (2008) No. 0066	96,507	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(2)	Chang Guo Yong (2008) No. 0067	98,005	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(3)	Chang Guo Yong (2008) No. 0068	95,256	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(4)	Chang Guo Yong (2008) No. 0069	94,667	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(5)	Chang Guo Yong (2008) No. 0070	92,000	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(6)	Chang Guo Yong (2008) No. 0071	97,101	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(7)	Chang Guo Yong (2008) No. 0072	100,000	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
Total		<u>673,536.00</u>	

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2. Pursuant to various Construction Land Planning Permits all issued by Changsha Planning Management Bureau on January 30, 2008, the land of the Development with a total site area of approximately 686,667.00 sq.m. is permitted for use. Details of such permits are as follows:

No.	Permit No.	Site area (sq.m.)
(1)	Chang Gui Zheng Zheng 200801019	100,000.00
(2)	Chang Gui Zheng Zheng 200801021	100,000.00
(3)	Chang Gui Zheng Zheng 200801020	100,000.00
(4)	Chang Gui Zheng Zheng 200801022	100,000.00
(5)	Chang Gui Zheng Zheng 200801023	94,667.00
(6)	Chang Gui Zheng Zheng 200801024	92,000.00
(7)	Chang Gui Zheng Zheng 200801025	<u>100,000.00</u>
Total		<u><u>686,667.00</u></u>

3. Pursuant to Construction Work Planning Permit No. Changjian 200907010 issued by Changsha Planning Administrative Bureau on July 27, 2009, the approved construction scale of the property is approximately 80,055 sq.m..

4. Pursuant to two Construction Works Commencement Permits issued by Changsha Construction Bureau, commencement of construction of the property with a total gross floor area of approximately 80,055.00 sq.m. is permitted. Details of such permits are as follow:

No.	Block	Permit No.	Gross Floor Area (sq.m.)	Issuance Date
(1)	Phase I Blocks 1–24	430108200909300501	35,226	September 30, 2009
(2)	Phase I Blocks 25–43, 45–65	430108200909300401	44,829	September 30, 2009
Total			<u><u>80,055.00</u></u>	

5. As advised by the Company, the total construction cost expended as at the Valuation Date was RMB39,170,000 and the estimated outstanding construction cost for completion of the property will be RMB187,880,000 (excluding marketing and finance costs). We have taken into account the aforesaid amounts in our valuation.

6. The capital value of the property as if completed as at the Valuation Date is estimated to be RMB472,800,000.

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7. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Hunan Kaisa Property has obtained the State-owned Land Use Certificates for the land use rights of the property. Hunan Kaisa Property legally owns the land use rights of the property and the construction thereon. Hunan Kaisa Property is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 7. iii. below;
 - ii. Hunan Kaisa Property has obtained requisite permits/approvals/certificates in respect of the construction of the property in accordance with its actual construction progress;
 - iii. the land use rights of the property subject to the State-owned Land Use Certificate No. Chang Guo Yong (2008) 0069 and 0070 are mortgaged. During the effective period of the mortgage, Hunan Kaisa Property shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of such portion of the property;
 - iv. since the delay in development of the property is caused by non-completion of zoning adjustment made by the government, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority; and
 - v. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 7. iii. above.
8. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	Yes
iii. Construction Works Planning Permit	Yes
iv. Construction Works Commencement Permit	Yes
v. Pre-sale Permit	No
vi. Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
25.	Phase IV of Mingcui Garden, Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District, Shenzhen, Guangdong Province, PRC	Mingcui Garden (the “Development”) is a large-scale residential and commercial development to be developed in four phases. The property under consideration comprises Phase IV of the Development which is to be developed on a parcel of land with a site area of approximately 2,972.12 sq.m. (31,992 sq.ft.). According to the provided information, the property is to be developed into a commercial development with a total gross floor area of approximately 11,530.00 sq.m. (124,109 sq.ft.). As advised by the Company, the property is scheduled to be completed in 2012. The land use rights of the property have been granted for a term of 50 years commencing on April 9, 2004 and expiring on April 8, 2054 for other (commercial tourism) use.	The property is currently a vacant site.	RMB75,500,000 (100% interest attributable to the Group: RMB75,500,000)

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Notes:

1. Pursuant to Real Estate Title Certificate No. Shen Fang Di Zi Di 6000240313 issued by Shenzhen Land Resources and Housing Administrative Bureau, Longgang Branch on February 9, 2007, the land use rights of the property with a site area of approximately of 2,972.12 sq.m. have been granted to Shenzhen Daye for a term of 50 years commencing on April 9, 2004 and expiring on April 8, 2054 for other (commercial tourism) use.
2. Pursuant to Construction Land Planning Permit No. Shen Gui Xu Zi 06-2006-0165 issued by Shenzhen Planning Bureau, Longgang Branch on August 2, 2006, the land of the property with a site area of approximately 2,972.12 sq.m. is permitted for use.
3. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Shenzhen Daye has obtained the Real Estate Title Certificates for the land use rights of the property. Shenzhen Daye legally owns the land use rights of the property. Shenzhen Daye is entitled to occupy, use, transfer or by other legal means dispose of the land use rights of the property within the land use term;
 - ii. the property is not subject to any mortgage or other third party’s encumbrance.
4. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	Yes
iii. Construction Works Planning Permit	No
iv. Construction Works Commencement Permit	No
v. Pre-sale Permit	No
vi. Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
26.	Three parcels of land located at Shangsha Street, Wanzai District, Zhuhai, Guangdong Province, PRC	The property comprises three parcels of land with a total site area of approximately 21,123.16 sq.m. (227,370 sq.ft.) and is planned to be developed into a large-scale residential development. According to the provided information, the property is to be developed with a total gross floor area of approximately 52,808.00 sq.m. (568,425 sq.ft.). As advised by the Company, the property is scheduled to be completed in 2012. The land use rights of the property have been granted to the Group (Please refer to Notes 1 (i), (ii) and (iii) for details.)	As at the Valuation Date, the existing buildings and structures on site were in the process of demolition.	RMB235,200,000 (100% interest attributable to the Group: RMB235,200,000)

Notes:

- Pursuant to three Real Estate Title Certificates all issued by the People’s Government of Guangdong Province on March 5, 2008, the land use rights of the property with a total site area of approximately 21,123.16 sq.m. have been granted to Zhuhai Zhanda Property Development Co., Ltd. (珠海市展大房地產開發有限公司) (“Zhuhai Zhanda”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Land Use Terms and Uses
(1)	Yue Fang Di Zheng Zi C5611166	3,245.40	Expiring on June 26, 2070 for residential use
(2)	Yue Fang Di Zheng Zi C5611167	4,397.06	Expiring on December 5, 2045 and December 5, 2065 for commercial services and residential uses respectively
(3)	Yue Fang Di Zheng Zi C5611168	13,480.70	Expiring on June 19, 2045 and June 19, 2065 for commercial service and residential uses respectively
Total		<u>21,123.16</u>	

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2. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the consideration of the land use rights of the property has been fully settled and Zhuhai Zhanda has obtained the Real Estate Title Certificates for the land use rights of the property. Zhuhai Zhanda legally owns the land use rights of the property. Zhuhai Zhanda is entitled to occupy, use, lease, mortgage, transfer or by other legal means dispose of the land use rights of the property within the land use term; and
 - ii. the property is not subject to any mortgage or other third party’s encumbrance.
3. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Land Planning Permit	No
iii.	Construction Works Planning Permit	No
iv.	Construction Works Commencement Permit	No
v.	Pre-sale Permit	No
vi.	Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																		
27.	Li Langlu located at Lilang Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, PRC	The property is an industrial development, namely Li Langlu (the “Development”), to be developed on a parcel of land with a site area of approximately 69,940.50 sq.m. (752,840 sq.ft.). According to the provided information, the property is to be developed with a total gross floor area of approximately 104,910.00 sq.m. (1,129,251 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Industrial</td><td>72,000.00</td><td>775,008</td></tr><tr><td>Dormitory</td><td>25,000.00</td><td>269,100</td></tr><tr><td>Others</td><td><u>7,910.00</u></td><td><u>85,143</u></td></tr><tr><td>Total</td><td><u>104,910.00</u></td><td><u>1,129,251</u></td></tr></table> As advised by the Company, the property is scheduled to be completed in 2012. The land use rights of the property have been granted for a term of 50 years commencing on September 8, 1992 and expiring on September 7, 2042 for industrial use.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Industrial	72,000.00	775,008	Dormitory	25,000.00	269,100	Others	<u>7,910.00</u>	<u>85,143</u>	Total	<u>104,910.00</u>	<u>1,129,251</u>	The property is currently a vacant site.	RMB103,000,000 (100% interest attributable to the Group: RMB103,000,000)
Use	Gross Floor Area																					
	(sq.m.)	(sq.ft.)																				
Industrial	72,000.00	775,008																				
Dormitory	25,000.00	269,100																				
Others	<u>7,910.00</u>	<u>85,143</u>																				
Total	<u>104,910.00</u>	<u>1,129,251</u>																				

Notes:

- Pursuant to Real Estate Title Certificate No. Shen Fang Di Zi Di 6000075129 issued by the People’s Government of Shenzhen, the land use rights of the property with a site area of approximately 69,940.50 sq.m. have been granted to Cornwell Holdings (Hong Kong) Limited (冠華基業集團(香港)有限公司) (“Cornwell Holdings”), a wholly-owned subsidiary of the Company, for a term of 50 years commencing on September 8, 1992 and expiring on September 7, 2042 for industrial use.

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PROPERTY VALUATION REPORT

2. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Cornwell Holdings has obtained the Real Estate Title Certificate for the land use rights of the property. Cornwell Holdings legally owns the land use rights of the property. Cornwell Holdings is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term;
 - ii. since the delay in development of the property is caused by the suspension of issuance of the Construction Land Planning Permit by the government due to the planned construction of Xiamen-Shenzhen Railway as stipulated in the letter dated January 25, 2008, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority; and
 - iii. the property is not subject to any mortgage or other third party’s encumbrance.
3. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Land Planning Permit	No
iii.	Construction Works Planning Permit	No
iv.	Construction Works Commencement Permit	No
v.	Pre-sale Permit	No
vi.	Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
28.	Phase IV of Zhongyang Haomen, Wangwuzhou Village, Shilong Town, Dongguan, Guangdong Province, PRC	Zhongyang Haomen (the “Development”) is a residential development to be developed in four phases on six parcels of land with a total site area of approximately 70,938.38 sq.m. (763,581 sq.ft.). The property under consideration comprises Phase IV of the Development.	The property is currently a vacant site.	RMB95,300,000 (100% interest attributable to the Group: RMB95,300,000)

According to the provided information, the property is to be developed with a total gross floor area of approximately 143,582.58 sq.m. (1,545,523 sq.ft.), the breakdown of which is as follows:

Use	Gross Floor Area	
	(sq.m.)	(sq.ft.)
Residential	78,594.45	845,991
Commercial	11,123.74	119,736
Basement		
car parks	43,746.13	470,883
Ancillary facilities	<u>10,118.26</u>	<u>108,913</u>
Total	<u>143,582.58</u>	<u>1,545,523</u>

As advised by the Company, the property is scheduled to be completed in 2012.

The land use rights of the property have been granted for terms expiring on September 8, 2063, December 17, 2065 and December 24, 2068 for residential and commercial uses.

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PROPERTY VALUATION REPORT

Notes:

- Pursuant to six State-owned Land Use Certificates all issued by People’s Government of Dongguan, the land use rights of the Development with a total site area of approximately 70,938.38 sq.m. have been granted to Dongguan Shilong and Dongguan Yingsheng. Details of such certificates are as follows:

No.	Certificate No.	Company	Site Area (sq.m.)	Expiry Date	Use
(1)	Dong Fu Guo Yong (1998) Di Te No. 343	Dongguan Shilong	14,448.36	December 17, 2065	Commercial/ residential
(2)	Dong Fu Guo Yong (2005) Di Te No. 949	Dongguan Yingsheng	10,713.90	December 24, 2068	Commercial/ residential
(3)	Dong Fu Guo Yong (2005) Di Te No. 987	Dongguan Yingsheng	9,206.55	December 24, 2068	Commercial/ residential
(4)	Dong Fu Guo Yong (2005) Di Te No. 978	Dongguan Shilong	3,731.79	December 24, 2068	Commercial/ residential
(5)	Dong Fu Guo Yong (2003) Di Te No. 261	Dongguan Shilong	9,267.78	December 24, 2068	Commercial/ residential
(6)	Dong Fu Guo Yong (1998) ZiDi Te No. 327	Dongguan Shilong	23,570.00	September 8, 2063	Commercial/ residential
Total			<u>70,938.38</u>		

- Pursuant to 《石龍新城區土地有償使用合同書》(Shilong New Urban Area Land Use Contract) entered into between Dongguan Shilong (“Party A”) and Dongguan Yingsheng (“Party B”) in July 2006, Party A agreed to transfer the land use rights of six parcels of land with a total site area of 70,942.37 sq.m. and to lease the land use rights of a parcel of land with a site area of proximately 9,600.00 sq.m. to Party B at a consideration of RMB136,336,266.
- The Development is jointly developed by Dongguan Shilong and Dongguan Yingsheng. Pursuant to 《關於核准石龍中央豪門商住小區的通知》(東發改[2007]81號) (Notice regarding Permission on Shilong Zhongyang Haomen Commercial and Residential Project No. Dong Fa Gai [2007]81) issued by Dongguan City Development and Reformation Bureau (東莞市發展和改革局), Dongguan Shilong has gained cooperation interests in the form of receiving land premium at RMB40,510,000 and a one-off payment of RMB7,000,000 from Dongguan Yingsheng. Dongguan Shilong will not be attributed any interest and will not undertake any loss and risk in the project whereas Dongguan Yingsheng is entitled to all the remaining interests in the project and is to undertake all losses and risks.

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Further pursuant to 《關於中央豪門商住小區項目補充協議》 (Supplemental Agreement on Zhongyang Haomen Commercial and Residential Project) entered into in 2008, Dongguan Shilong confirmed that the land premium and the one-off payment mentioned in the Notice regarding Permission on Silong Zhongyang Haomen Commercial and Residential Project were included in the consideration of RMB136,336,266 as stated in the Shilong New Urban Area Land Use Contract abovementioned in Note 2.

In addition, a management fee of RMB6,887,969 shall also be paid to Dongguan Shilong.

4. Pursuant to Construction Land Planning Permit No. 2007-02-10004 issued by Dongguan Urban Construction Planning Bureau on March 13, 2007, the land of, *inter alia*, Phases I to IV of the Development with a total site area of approximately 82,009.00 sq.m. is permitted for use.
5. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Dongguan Yingsheng has obtained the State-owned Land Use Certificates Dong Fu Guo Yong (2005) Di Te Nos. 949 and 987 while Dongguan Shilong has obtained the State-owned Land Use Certificates Dong Fu Guo Yong (1998) Zi Di Te Nos. 327 and 343, Dong Fu Guo Yong (2003) Zi Di De No. 261 and Dong Fu Guo Yong (2005) Zi Di Te No. 978. Dongguan Yingsheng and Dongguan Shilong legally own the land use rights of the property. Dongguan Yingsheng and Dongguan Shilong are entitled to occupy, use, lease, mortgage, transfer or by other legal means dispose of the land use rights of the property within the land use term;
 - ii. for the State-owned Land Use Certificates Nos. Dong Fu Guo Yong (1998) Zi Di Te 327 and Dong Fu Guo Yong (1998) Di Te 343, Dong Fu Guo Yong (2003) Di Te 261 and Dong Fu Guo Yong (2005) Di Te 978 to remain to be held by Dongguan Shilong, it is in compliance with the relevant PRC laws and regulations. Dongguan Yingsheng is entitled to the interests in this property because it is a party to the cooperation development of the property and its legal interests in the property are protected by PRC laws; and
 - iii. the property is not subject to any mortgage or other third party’s encumbrance.
6. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	Yes
iii. Construction Works Planning Permit	No
iv. Construction Works Commencement Permit	No
v. Pre-sale Permit	No
vi. Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
29.	Jincheng Heights located at Gutang’ao Miaozaikeng, Huizhou, Guangdong Province, PRC	The property is a residential with complementary commercial properties development, namely Jincheng Heights (the “Development”), to be developed in two phases on four parcels of land with a total site area of approximately 89,997.90 sq.m. (968,737 sq.ft.).	The property is currently a vacant site.	RMB366,900,000 (100% interest attributable to the Group: RMB366,900,000)

According to the provided information, the property is to be developed with a total gross floor area of approximately 267,995.00 sq.m. (2,884,698 sq.ft.), the breakdown of which is as follows:

Use	Gross Floor Area	
	(sq.m.)	(sq.ft.)
Residential	210,973.60	2,270,920
Commercial	52,743.40	567,730
Others	<u>4,278.00</u>	<u>46,048</u>
Total	<u>267,995.00</u>	<u>2,884,698</u>

As advised by the Company, Phases I and II of the property are scheduled to be completed in 2011 and 2012 respectively.

The land use rights of the property have been granted for a term of 70 years expiring on May 21, 2063 for commercial and residential uses.

Notes:

- Pursuant to four State-owned Land Use Certificates all issued by the People’s Government of Huizhou, the land use rights of the property with a total site area of approximately 89,997.90 sq.m. have been granted to Huizhou Jinhu Property Co., Ltd. (惠州市金湖房地產有限公司)

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(“Huizhou Jinhu”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Land Use Term	Use
(1)	Hui Fu Guo Yong (2007) Di 13021400264	20,369.60	70 years, expiring on May 21, 2063	Commercial/ residential
(2)	Hui Fu Guo Yong (2007) Di 13021400265	22,940.60	70 years, expiring on May 21, 2063	Commercial/ residential
(3)	Hui Fu Guo Yong (2007) Di 13021400266	21,734.70	70 years, expiring on May 21, 2063	Commercial/ residential
(4)	Hui Fu Guo Yong (2007) Di 13021400267	24,953.00	70 years, expiring on May 21, 2063	Commercial/ residential
Total		<u>89,997.90</u>		

2. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- i. the land premium of the property has been fully settled and Huizhou Jinhu has obtained the State-owned Land Use Certificates for the land use rights of the property. Huizhou Jinhu legally owns the land use rights of the property. Huizhou Jinhu is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term save for the portion referred to in Note 2. ii. below;
- ii. the land use rights of the property subject to the State-owned Land Use Certificates Hui Fu Guo Yong (2007) Di 13021400264, 13021400265, 13021400266 and 13021400267 are mortgaged. During the effective period of the mortgage, Huizhou Jinhu shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property;
- iii. since the delay in development of the property is caused by non-completion of zoning adjustment made by the government, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority; and
- iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 2. ii. above.

3. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Works Planning Permit	No
iii.	Construction Works Commencement Permit	No
iv.	Pre-sale Permit	No
v.	Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vi.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
30.	A parcel of land located at Erjiangsi Village, Huayang Town, Shuangliu County, Sichuan Province, PRC	The property comprises a parcel of land with a site area of approximately 182,666.01 sq.m. (1,966,217 sq.ft.) on which a residential development is to be developed in three phases. According to the provided information, the property is to be developed with a total gross floor area of approximately 767,196.92 sq.m. (8,258,108 sq.ft.). As advised by the Company, the property is scheduled to be completed in 2013. The land use rights of the property have been granted for a term of 70 years expiring on April 5, 2077 for urban mixed residential use.	The property is currently a vacant site.	RMB1,542,000,000 (100% interest attributable to the Group: RMB1,542,000,000)

Notes:

- Pursuant to State-owned Land Use Certificate No. Shuang Guo Yong (2007) Di 00118 issued by the People’s Government of Shuangliu County on April 12, 2007, the land use rights of the property with a site area of approximately 182,666.01 sq.m. have been granted to Chengdu Nanxing Yinji Property Development Co., Ltd. (成都南興銀基房地產開發有限公司) (“Chengdu Nanxing”), a wholly-owned subsidiary of the Company, for a term of 70 years expiring on April 5, 2077 for urban mixed residential use.
- Pursuant to Construction Land Planning Permit No. [2007] Di 12 issued by Chengdu Shuangliu Planning Management Bureau on January 10, 2007, the land of the property with a site area of approximately 274 mu is permitted for residential and commercial uses.
- We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - the land premium of the property has been fully settled and Chengdu Nanxing has obtained the State-owned Land Use Certificate for the land use rights of the property. Chengdu Nanxing legally owns the land use rights of the property. Chengdu Nanxing is

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entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term save for the portion referred to in Note 3. ii. below;

- ii. the land use rights to the property subject to the State-owned Land Use Certificate No. Shuang Guo Yong (2007) Di 00118 are mortgaged. During the effective period of the mortgage, Chengdu Nanxing shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property; and
 - iii. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 3. ii. above.
4. A summary of major certificates/approvals is shown as follows:
- | | | |
|------|---|-----|
| i. | State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate | Yes |
| ii. | Construction Land Planning Permit | Yes |
| iii. | Construction Works Planning Permit | No |
| iv. | Construction Works Commencement Permit | No |
| v. | Pre-sale Permit | No |
| vi. | Completed Construction Works Certified Report/
Real Estate Construction Project Completion Examination
Archival Acknowledgments | No |
| vii. | Real Estate Title Certificate/Realty Title and Rights Certificate | No |

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
31.	Phases II to VI of Lijing Harbor located at Groups 1 and 2, Ban Huafeng Village, Yongquan Street, Wenjiang District, Chengdu, Sichuan Province, PRC	Lijing Harbor (the “Development”) is a residential development to be developed in six phases on a parcel of land with a site area of approximately 150,071.33 sq.m. (1,615,368 sq.ft.). The property under consideration comprises Phases II to VI of the Development. According to the provided information, the property is to be developed with a total gross floor area of approximately 510,646.14 sq.m. (5,496,595 sq.ft.). As advised by the Company, the property is scheduled to be completed in 2014. The land use rights of the property have been granted for terms expiring on August 12, 2075 and August 12, 2045 for residential and commercial uses respectively.	The property is currently vacant.	RMB406,700,000 (100% interest attributable to the Group: RMB406,700,000)

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Notes:

1. Pursuant to State-owned Land Use Certificate No. Wen Guo Yong (2009) Di 11355 issued by the People’s Government of Wenjiang on September 24, 2009, the land use rights of the Development in which the property is located with a site area of approximately 150,071.33 sq.m. have been granted to Sichuan Tianzi. The land use rights of the property have been granted for terms expiring on August 12, 2045 and August 12, 2075 for commercial and residential uses respectively.
2. Pursuant to Construction Land Planning Permit No. Cheng Gui Jian [2006] 183 issued by Chengdu Wenjiang Planning Administrative Bureau on December 8, 2006, the land of the Development in which the property is located with a site area of approximately 225.104 mu is permitted for use.
3. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Sichuan Tianzi has obtained the State-owned Land Use Certificate for the land use rights of the property. Sichuan Tianzi legally owns the land use rights of the property. Sichuan Tianzi is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term;
 - ii. since the delay in construction of the Development is caused by non-completion of the demolition and re-settlement as stipulated in the letter dated January 16, 2008, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China and as stipulated in the aforesaid letter dated January 16, 2008, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority. Further the Group has commenced construction of the Development portion of which has been pre-sold; and
 - iii. the property is not subject to any mortgage or other third party’s encumbrance.
4. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	Yes
iii. Construction Works Planning Permit	No
iv. Construction Works Commencement Permit	No
v. Pre-sale Permit	No
vi. Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009															
32.	Two parcels of land located at Dongyong Village (close to Dongchong Beach), Nan’ao Town, Longgang District, Shenzhen, Guangdong Province, PRC	The property comprises two parcels of land with a total site area of approximately 73,305.37 sq.m. (789,059 sq.ft.) on which a rehabilitation and health care center is to be developed. According to the provided information, the property is to be developed with a total gross floor area of approximately 44,000.00 sq.m. (473,616 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><th></th><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Rehabilitation and health care center</td><td>41,000</td><td>441,324</td></tr><tr><td>Ancillary facilities</td><td><u>3,000</u></td><td><u>32,292</u></td></tr><tr><td>Total</td><td><u>44,000.00</u></td><td><u>473,616</u></td></tr></table>	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Rehabilitation and health care center	41,000	441,324	Ancillary facilities	<u>3,000</u>	<u>32,292</u>	Total	<u>44,000.00</u>	<u>473,616</u>	The property is currently a vacant site.	RMB611,000,000 (100% interest attributable to the Group: RMB611,000,000)
Use	Gross Floor Area																		
	(sq.m.)	(sq.ft.)																	
Rehabilitation and health care center	41,000	441,324																	
Ancillary facilities	<u>3,000</u>	<u>32,292</u>																	
Total	<u>44,000.00</u>	<u>473,616</u>																	

As advised by the Company, the property is scheduled to be completed in 2011.

The land use rights of the property have been granted for a term of 50 years commencing on August 6, 1993 and expiring on August 5, 2043 for medical and health experimentation uses.

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Notes:

1. Pursuant to two Real Estate Title Certificates Nos. Shen Fang Di Zi 6000197332 and 6000197329 issued by Shenzhen Land Resources and Housing Administrative Bureau, Longgang Branch on March 10, 2006, the land use rights of the property with a total site area of approximately 73,305.37 sq.m. have been granted to Shenzhen Zhongwei Investment Consulting Co., Ltd. (深圳市中衛投資諮詢有限公司) (“Shenzhen Zhongwei”), a wholly-owned subsidiary of the Company, for a term of 50 years commencing on August 6, 1993 and expiring on August 5, 2043 for medical and health experimentation uses.
2. Pursuant to two Construction Land Planning Permits issued by Baoan County Construction Bureau on August 31, 1992, the land of the property with a total site area of approximately 73,337.00 sq.m. is permitted. The entity under the aforesaid permits has not yet been changed to Shenzhen Zhongwei. Details of such permits are as follows:

No.	Permit No.	Site Area (sq.m.)
(1)	Nan Tu 92086	26,001.30
(2)	Nan Tu 92087	47,335.70
Total		73,337.00

3. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Shenzhen Zhongwei has obtained the Real Estate Title Certificates for the land use rights of the property. Shenzhen Zhongwei legally owns the land use rights of the property. Shenzhen Zhongwei is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term save for the portion referred to in Note 3. ii. below;
 - ii. the land use rights of the property subject to the Real Estate Title Certificates Nos. Shen Fang Di Zi 6000197332 and 6000197329 are mortgaged. During the effective period of the mortgage, Shenzhen Zhongwei shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property;
 - iii. there is no legal impediment to change the entity to Shenzhen Zhongwei in the Construction Land Planning Permits; and

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- iv. since the delay in development of the property is caused by the suspension of issuance of the Construction Land Planning Permit by the government as stipulated in the letter dated August 15, 2008, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority; and
 - v. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 3. ii. above.
4. A summary of major certificates/approvals is shown as follows:
- | | | |
|------|---|-----|
| i. | State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate | Yes |
| ii. | Construction Land Planning Permit | Yes |
| iii. | Construction Works Planning Permit | No |
| iv. | Construction Works Commencement Permit | No |
| v. | Pre-sale Permit | No |
| vi. | Completed Construction Works Certified Report/
Real Estate Construction Project Completion Examination
Archival Acknowledgments | No |
| vii. | Real Estate Title Certificate/Realty Title and Rights Certificate | No |

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
33.	Phases II to VI of Changsha Lake View Place, Tiaoma County, Jinping Village, Changsha, Hunan Province, PRC	Changsha Lake View Place (the “Development”) is a large-scale residential development to be developed in six phases on seven parcels of land with a total site area of approximately 673,536.00 sq.m. (7,249,942 sq.ft.). The property under consideration comprises Phases II to VI of the Development. According to the provided information, the property is to be developed with a total gross floor area of approximately 1,605,647.00 sq.m. (17,283,183 sq.ft.). As advised by the Company, the property is scheduled to be completed in 2016. The land use rights of the property have been granted for terms of 70 years and 40 years expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively.	As at the Valuation Date, the existing buildings and structures on the site were in the process of demolition.	RMB1,938,000,000 (100% interest attributable to the Group: RMB1,938,000,000)

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Notes:

- Pursuant to various State-owned Land Use Certificates all issued by the People’s Government of Changsha on March 12, 2008, the land use rights of the Development with a total site area of approximately 673,536.00 sq.m. have been granted to Hunan Kaisa Property. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Land Use Term and Use
(1)	Chang Guo Yong (2008) No. 0066	96,507	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(2)	Chang Guo Yong (2008) No. 0067	98,005	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(3)	Chang Guo Yong (2008) No. 0068	95,256	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(4)	Chang Guo Yong (2008) No. 0069	94,667	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(5)	Chang Guo Yong (2008) No. 0070	92,000	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(6)	Chang Guo Yong (2008) No. 0071	97,101	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
(7)	Chang Guo Yong (2008) No. 0072	100,000	Expiring on February 25, 2078 and February 25, 2048 for residential and commercial uses respectively
Total		<u>673,536.00</u>	

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2. Pursuant to various Construction Land Planning Permits all issued by Changsha Planning Management Bureau on January 30, 2008, the land of the Development with a total site area of approximately 686,667.00 sq.m. is permitted for use. Details of such permits are as follows:

No.	Permit No.	Site area (sq.m.)
(1)	Chang Gui Zheng Zheng 200801020	100,000.00
(2)	Chang Gui Zheng Zheng 200801022	100,000.00
(3)	Chang Gui Zheng Zheng 200801023	94,667.00
(4)	Chang Gui Zheng Zheng 200801024	92,000.00
(5)	Chang Gui Zheng Zheng 200801025	100,000.00
(6)	Chang Gui Zheng Zheng 200801019	100,000.00
(7)	Chang Gui Zheng Zheng 200801021	100,000.00
Total		686,667.00

3. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
- i. the land premium of the property has been fully settled and Hunan Kaisa Property has obtained the State-owned Land Use Certificates for the land use rights of the property. Hunan Kaisa Property legally owns the land use rights of the property. Hunan Kaisa Property is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term save for the portion referred to in Note 3. ii. below;
 - ii. the land use rights of the property subject to the State-owned Land Use Certificate Nos. Chang Guo Yong (2008) 0069 and 0070 are mortgaged. During the effective period of the mortgages, Hunan Kaisa Property shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of such portion of the property;
 - iii. since the delay in development of the property is caused by non-completion of zoning adjustment made by the government, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority; and
 - iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 3. ii. above.

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4. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	No
iv.	Construction Works Commencement Permit	No
v.	Pre-sale Permit	No
vi.	Completed Construction Works Certified Report/ Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
34.	Phase III of Jiangyin Lake View Place, South of Xinhua Road and West of Dongwaihuan Road and North of Renmin Road East, Jiangyin, Jiangsu Province, PRC	Jiangyin Lake View Place (the “Development”) is a large-scale residential development to be developed in three phases on four parcels of land with a total site area of approximately 225,533.00 sq.m. (2,427,637 sq.ft.). The property under consideration comprises Phase III of the Development. According to the provided information, the property is to be developed with a total gross floor area of approximately 166,521.15 sq.m. (1,792,434 sq.ft.). As advised by the Company, the property is scheduled to be completed in 2011. The land use rights of the property have been granted for terms expiring on September 29, 2047 and September 29, 2077 for commercial and residential uses respectively.	The property is currently a vacant site.	RMB749,600,000 (100% interest attributable to the Group: RMB749,600,000)

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Notes:

1. Pursuant to four State-owned Land Use Certificates all issued by the People’s Government of Jiangyin on July 25, 2009, the land use rights of the Development with a total site area of 225,533.00 sq.m. have been granted to Jiangyin Taichang. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Land Use Rights Term
(1)	Cheng Tu Guo Yong (2009) No. 13321	92,023	Expiring on September 29, 2077 and September 29, 2047 for residential and commercial uses respectively
(2)	Cheng Tu Guo Yong (2009) No. 13322	30,733	Expiring on September 29, 2077for residential use
(3)	Cheng Tu Guo Yong (2009) No. 13323	77,587	Expiring on September 29, 2077for residential use
(4)	Cheng Tu Guo Yong (2009) No. 13324	25,190	Expiring on September 29, 2077 and September 29, 2047 for residential and commercial uses respectively
Total		<u>225,533.00</u>	

2. Pursuant to Construction Land Planning Permit No. Di Zi Di 320281200800216 issued by Planning Bureau of Jiangyin Municipality on May 7, 2008, the land of the Development with a total site area of approximately 225,530.00 sq.m. is permitted for residential use.
3. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Jiangyin Taichang has obtained the State-owned Land Use Certificates for the land use rights of the property. Jiangyin Taichang legally owns the land use rights of the property. Jiangyin Taichang is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term save for the portion referred to in Note 3. ii. below;
 - ii. the land use rights of the property subject to State-owned Land Use Certificates Nos. Cheng Tu Guo Yong (2009) 13321 and 13324 are mortgaged. During the effective period of the mortgage, Jiangyin Taichang shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of such portion of the property; and
 - iii. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 3. ii. above.

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4. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	No
iv.	Construction Works Commencement Permit	No
v.	Pre-sale Permit	No
vi.	Completed Construction Works Certified Report/Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
35.	Phases II to IV of Shanghai Shanhuwan Garden, 26/16 Qiu, No. 1 Street, Fengxin Town, Fengxian District, Shanghai, PRC	Shanghai Shanhuwan Garden (the “Development”) comprises a residential development to be developed in four phases on a parcel of land with a site area of approximately 104,796.00 sq.m. (1,128,024 sq.ft.). The property under consideration comprises Phases II to IV of the Development. According to the provided information, the property is to be developed with a total gross floor area of approximately 122,679.72 sq.m. (1,320,524 sq.ft.). As advised by the Company, the property is scheduled to be completed in 2011. The land use rights of the property have been granted for a term commencing on August 10, 2007 and expiring on December 7, 2076 for residential use.	The property is currently a vacant site.	RMB74,600,000 (100% interest attributable to the Group: RMB74,600,000)

Notes:

- Pursuant to Shanghai Real Estate Title Certificate No. Hu Fang Di Feng Zi (2007) 010817 issued by Shanghai Housing and Land Resources Administration Bureau on September 26, 2007, the land use rights of the Development with a site area of 104,796.00 sq.m. have been granted to Shanghai Xinwan, for a term commencing on August 10, 2007 and expiring on December 7, 2076 for residential use.
- Pursuant to Construction Land Planning Permit No. Di Zi Di Hu Feng Di (2008) 20080611E00666 issued by Planning Bureau of Shanghai Fengxian District Municipality on June 11, 2008, the land of the Development with a site area of approximately 108,306 sq.m. (including 3,510 sq.m. for green plot) is permitted for residential use.

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3. Pursuant to Construction Works Planning Permit No. Hu Feng Jian (2009) FA31012020090598 issued by Shanghai Fengxian District Planning Bureau on March 23, 2009, the approved construction scale of Block 50 of the Development is approximately 7,059.00 sq.m..
4. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Shanghai Xinwan has obtained the Shanghai Real Estate Title Certificate for the land use rights of the property. Shanghai Xinwan legally owns the land use rights of the property. Shanghai Xinwan is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term save for the portion referred to in Note 4. ii. below;
 - ii. the land use rights of the property subject to the Shanghai Real Estate Title Certificate No. Hu Fang Di Feng Zi (2007) 010817 are mortgaged. During the effective period of the mortgage, Shanghai Xinwan shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of such portion of the property;
 - iii. since the delay in construction of the Development is caused by the non-issuance of the environmental report and extension of development caused by the government, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority. Further the Group has commenced construction of the Development portion of which has been pre-sold; and
 - iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 4. ii. above.
5. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	Yes
iii. Construction Works Planning Permit	Part
iv. Construction Works Commencement Permit	No
v. Pre-sale Permit	No
vi. Completed Construction Works Certified Report/Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009															
36.	Two parcels of land located at Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Boluo County, Huizhou, Guangdong Province, PRC	The property comprises two parcels of land with a total site area of approximately 20,400.00 sq.m. (219,586 sq.ft.) on which a residential development is to be developed. According to the provided information, the property is to be developed with a total gross floor area of approximately 61,200.00 sq.m. (658,757 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>48,960.00</td><td>527,005</td></tr><tr><td>Retail</td><td><u>12,240.00</u></td><td><u>131,751</u></td></tr><tr><td>Total</td><td><u><u>61,200.00</u></u></td><td><u><u>658,756</u></u></td></tr></table> As advised by the Company, the property is scheduled to be completed in 2012. The land use rights of the property have been granted for terms expiring on October 26, 2068 and May 21, 2079 for residential use.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	48,960.00	527,005	Retail	<u>12,240.00</u>	<u>131,751</u>	Total	<u><u>61,200.00</u></u>	<u><u>658,756</u></u>	The property is currently a vacant site.	RMB42,500,000 (100% interest attributable to the Group: RMB42,500,000)
Use	Gross Floor Area																		
	(sq.m.)	(sq.ft.)																	
Residential	48,960.00	527,005																	
Retail	<u>12,240.00</u>	<u>131,751</u>																	
Total	<u><u>61,200.00</u></u>	<u><u>658,756</u></u>																	

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Notes:

1. Pursuant to two State-owned Land Use Certificates Nos. Bo Fu Guo Yong (2009) Di 190660 and (2008) Di 190049 both issued by the People’s Government of Boluo County, the land use rights of the property with a total site area of approximately 20,400.00 sq.m. have been granted to Huizhou Jiabo Property Development Co., Ltd. (惠州市佳博房地產開發有限公司) (“Huizhou Jiabo”), a wholly-owned subsidiary of the Company, for terms expiring on May 21, 2079 and October 26, 2068 for residential use.
2. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Huizhou Jiabo has obtained the State-owned Land Use Certificates for the land use rights of the property. Huizhou Jiabo legally owns the land use rights of the property. Huizhou Jiabo is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term; and
 - ii. the property is not subject to any mortgage or other third party’s encumbrance.
3. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	No
iii. Construction Works Planning Permit	No
iv. Construction Works Commencement Permit	No
v. Pre-sale Permit	No
vi. Completed Construction Works Certified Report/Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009														
37.	Thirteen parcels of land located at Guangdong Shuiku, Tonghu Town, Huizhou, Guangdong Province, PRC	The property comprises thirteen parcels of land with a total site area of approximately 731,487.00 sq.m. (7,873,726 sq.ft.) on which a large-scale residential development is to be developed in four phases. According to the provided information, the property is to be developed with a total gross floor area of approximately 731,487.00 sq.m. (7,873,726 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>694,912.00</td><td>7,480,033</td></tr><tr><td>Retail</td><td><u>36,575.00</u></td><td><u>393,693</u></td></tr><tr><td>Total</td><td><u><u>731,487.00</u></u></td><td><u><u>7,873,726</u></u></td></tr></table> As advised by the Company, the property is scheduled to be completed in 2015. The land use rights of the property have been granted for various terms with the latest expiry date on March 1, 2044 for commercial, services and residential uses (For details, please refer to Notes 1 and 2).	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	694,912.00	7,480,033	Retail	<u>36,575.00</u>	<u>393,693</u>	Total	<u><u>731,487.00</u></u>	<u><u>7,873,726</u></u>	The property is currently a vacant site. RMB1,190,600,000 (100% interest attributable to the Group: RMB1,190,600,000)
Use	Gross Floor Area																	
	(sq.m.)	(sq.ft.)																
Residential	694,912.00	7,480,033																
Retail	<u>36,575.00</u>	<u>393,693</u>																
Total	<u><u>731,487.00</u></u>	<u><u>7,873,726</u></u>																

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Notes:

- Pursuant to seven State-owned Land Use Certificates all issued by the People’s Government of Huizhou on September 30, 2006 and October 27, 2006, the land use rights of seven parcels of land with a total site area of approximately 416,821.00 sq.m. have been granted to Jinhu Resort Village (Huizhou) Development Co., Ltd. (金湖渡假村（惠州）發展有限公司) (“Huizhou Jinhu Resort Village”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Expiry Date	Use
(1)	Hui Fu Guo Yong (2006) Di 13022000015	62,300.00	January 26, 2034	Commercial/ services
(2)	Hui Fu Guo Yong (2006) Di 13022000016	57,333.00	March 1, 2034	Commercial/ residential
(3)	Hui Fu Guo Yong (2006) Di 13022000019	50,587.00	March 1, 2034	Commercial/ residential
(4)	Hui Fu Guo Yong (2006) Di 13022000023	60,000.00	January 26, 2034	Commercial/ services
(5)	Hui Fu Guo Yong (2006) Di 13022000024	57,067.00	January 26, 2034	Commercial/ services
(6)	Hui Fu Guo Yong (2006) Di 13022000027	66,467.00	March 1, 2034	Commercial/ residential
(7)	Hui Fu Guo Yong (2006) Di 13022000028	63,067.00	March 1, 2044	Commercial/ residential
Total		<u><u>416,821.00</u></u>		

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2. Pursuant to six State-owned Land Use Certificates all issued by the People’s Government of Huizhou on September 30, 2006, the land use rights of six parcels of land with a total site area of approximately 314,666.00 sq.m. have been granted to Jinhu Entertainment Park (Huizhou) Co., Ltd. (金湖遊樂園(惠州)有限公司) (“Huizhou Jinhu Entertainment Park”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Expiry Date	Use
(1)	Hui Fu Guo Yong (2006) Di 13022000014	63,000.00	March 1, 2034	Commercial/ services
(2)	Hui Fu Guo Yong (2006) Di 13022000018	36,133.00	March 1, 2034	Commercial/ residential
(3)	Hui Fu Guo Yong (2006) Di 13022000021	49,400.00	January 26, 2034	Commercial/ residential
(4)	Hui Fu Guo Yong (2006) Di 13022000022	41,933.00	March 1, 2034	Commercial/ residential
(5)	Hui Fu Guo Yong (2006) Di 13022000025	61,533.00	March 1, 2034	Commercial/ services
(6)	Hui Fu Guo Yong (2006) Di 13022000026	62,667.00	January 26, 2034	Commercial/ residential
Total		<u>314,666.00</u>		

3. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
- the land premium of the property has been fully settled and Huizhou Jinhu Resort Village and Huizhou Jinhu Entertainment Park have obtained the State-owned Land Use Rights Certificates for the land use rights of the property. Huizhou Jinhu Resort Village and Huizhou Jinhu Entertainment Park legally own the land use rights of the property. Huizhou Jinhu Resort Village and Huizhou Jinhu Entertainment Park are entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term save for the portion referred to in Note 3. ii. below;
 - The land use rights of the property subject to the State-owned Land Use Certificates Hui Fu Guo Yong (2006) Di 13022000014, 13022000015, 13022000016, 13022000018, 13022000019, 13022000021, 13022000022, 13022000023, 13022000024, 13022000025, 13022000026, 13022000027 and 13022000028 are mortgaged. During the effective period of the mortgages, Huizhou Jinhu Resort Village and Huizhou Jinhu Entertainment Park shall have to obtain the consent from the corresponding mortgagees for transferring or by other legal means disposing of the property;
 - since the delay in development of the property is caused by the zoning adjustment made by the government, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority; and
 - the property is not subject to any mortgage or other third party’s encumbrance save for the portions referred to in Note 3. ii. above.

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PROPERTY VALUATION REPORT

4. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Land Planning Permit	No
iii.	Construction Works Planning Permit	No
iv.	Construction Works Commencement Permit	No
v.	Pre-sale Permit	No
vi.	Completed Construction Works Certified Report/Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																								
38.	Phases II and III of Huizhou Kaisa Center, No. 18 Sub-district, Jiangbei, Huizhou, Guangdong Province, PRC	Huizhou Kaisa Center (the “Development”) is a large-scale commercial development to be developed in three phases. The property under consideration comprises Phases II and III of the Development which is erected on two parcels of land with a total site area of approximately 56,576.00 sq.m. (608,984 sq.ft.). According to the provided information, the property is to be developed with a total gross floor area of approximately 435,041.73 sq.m. (4,682,789 sq.ft.), the breakdown of which is as follows: <table><tr><th>Uses</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Apartment</td><td>264,450.53</td><td>2,846,545</td></tr><tr><td>Commercial</td><td>27,821.13</td><td>299,467</td></tr><tr><td>Office</td><td>100,000.00</td><td>1,076,400</td></tr><tr><td>Hotel</td><td>13,000.00</td><td>139,932</td></tr><tr><td>Others</td><td><u>29,770.07</u></td><td><u>320,445</u></td></tr><tr><td>Total</td><td><u><u>435,041.73</u></u></td><td><u><u>4,682,789</u></u></td></tr></table> As advised by the Company, Phases II and III of the property are scheduled to be completed in 2012 and 2013 respectively. The land use rights of the property have been granted for terms expiring on June 9, 2045 and September 14, 2062 for commercial use.	Uses	Gross Floor Area			(sq.m.)	(sq.ft.)	Apartment	264,450.53	2,846,545	Commercial	27,821.13	299,467	Office	100,000.00	1,076,400	Hotel	13,000.00	139,932	Others	<u>29,770.07</u>	<u>320,445</u>	Total	<u><u>435,041.73</u></u>	<u><u>4,682,789</u></u>	The property is currently a vacant site.	RMB932,800,000 (100% interest attributable to the Group: RMB932,800,000)
Uses	Gross Floor Area																											
	(sq.m.)	(sq.ft.)																										
Apartment	264,450.53	2,846,545																										
Commercial	27,821.13	299,467																										
Office	100,000.00	1,076,400																										
Hotel	13,000.00	139,932																										
Others	<u>29,770.07</u>	<u>320,445</u>																										
Total	<u><u>435,041.73</u></u>	<u><u>4,682,789</u></u>																										

APPENDIX IV

PROPERTY VALUATION REPORT

Notes:

1. Pursuant to State-owned Land Use Certificate No. Hui Fu Guo Yong (2008) Di 13020100002 issued by the People’s Government of Huizhou, the land use rights of portion of the property with a site area of approximately 18,854.90 sq.m. have been granted to Huizhou Huasheng Investment Co., Ltd. (惠州市華盛投資有限公司) (“Huizhou Huasheng”), a wholly-owned subsidiary of the Company, for a term expiring on June 9, 2045 for commercial use.
2. Pursuant to State-owned Land Use Certificate No. Hui Fu Guo Yong (2008) Di 13020100107 issued by the People’s Government of Huizhou, the land use rights of the remaining portion of the property with a site area of approximately 37,721.1 sq.m. have been granted to Huizhou Weitong Property Co., Ltd. (惠州緯通房產有限公司) (“Huizhou Weitong”), a wholly-owned subsidiary of the Company, for a term expiring on September 14, 2062 for commercial use.
3. Pursuant to Construction Land Planning Permit No. Hui Shi Gui Di Zheng (2008) 0133 issued by Huizhou Planning Construction Bureau on April 14, 2008, the land of the property with a site area of approximately 18,855.00 sq.m. is permitted for use.
4. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Huizhou Huasheng and Huizhou Weitong legally own the land use rights of the property. Huizhou Huasheng and Huizhou Weitong are entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property save for the portions referred to in Note 4. ii. below;
 - ii. the land use rights of the property subject to the State-owned Land Use Certificate Nos. Hui Fu Guo Yong (2008) Di 13020100002 and 13020100107 are mortgaged. During the effective period of the mortgage, Huizhou Huasheng shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property;
 - iii. since the delay in development of the property is caused by the zoning adjustment made by the government, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority; and
 - iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 4. ii. above.

APPENDIX IV

PROPERTY VALUATION REPORT

5. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Land Planning Permit	Part
iii.	Construction Works Planning Permit	No
iv.	Construction Works Commencement Permit	No
v.	Pre-sale Permit	No
vi.	Completed Construction Works Certified Report/Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																								
39.	Phases II and III of Dongjiang Haomen, South side of Dongjiang Avenue, Yangwu Village and Qishi Village, Qishi Town, Dongguan, Guangdong Province, PRC	Dongjiang Haomen (the “Development”) is a large-scale residential development to be developed in three phases on three parcels of land with a total site area of approximately 86,324.10 sq.m. (929,193 sq.m.). The property under consideration comprises Phases II and III of the Development. According to the provided information, the property is to be developed with a total gross floor area of approximately 197,709.00 sq.m. (2,128,140 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><th></th><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>166,053.88</td><td>1,787,404</td></tr><tr><td>Commercial</td><td>6,673.86</td><td>71,838</td></tr><tr><td>Basement</td><td>19,289.26</td><td>207,630</td></tr><tr><td>Clubhouse/ Kindergarten</td><td>3,592.00</td><td>38,664</td></tr><tr><td>Ancillary Facilities</td><td>2,100.00</td><td>22,604</td></tr><tr><td>Total</td><td><u>197,709.00</u></td><td><u>2,128,140</u></td></tr></table>	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	166,053.88	1,787,404	Commercial	6,673.86	71,838	Basement	19,289.26	207,630	Clubhouse/ Kindergarten	3,592.00	38,664	Ancillary Facilities	2,100.00	22,604	Total	<u>197,709.00</u>	<u>2,128,140</u>	The property is currently a vacant site.	RMB292,600,000 (100% interest attributable to the Group: RMB292,600,000)
Use	Gross Floor Area																											
	(sq.m.)	(sq.ft.)																										
Residential	166,053.88	1,787,404																										
Commercial	6,673.86	71,838																										
Basement	19,289.26	207,630																										
Clubhouse/ Kindergarten	3,592.00	38,664																										
Ancillary Facilities	2,100.00	22,604																										
Total	<u>197,709.00</u>	<u>2,128,140</u>																										

As advised by the Company, the property is scheduled to be completed in 2013.

The land use rights of the property have been granted for a term expiring on February 16, 2078 for commercial and residential uses.

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PROPERTY VALUATION REPORT

Notes:

- Pursuant to three State-owned Land Use Certificates all issued by the People’s Government of Dongguan, the land use rights of the Development with a total site area of approximately 86,324.10 sq.m. have been granted to Dongguan Yingtai Property Development Co., Ltd (東莞市盈泰房地產開發有限公司) (“Dongguan Yingtai”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Expiry Date	Use
(1)	Dong Fu Guo Yong (2008) Di Te 363	38,095.20	February 16, 2078	Commercial/ residential
(2)	Dong Fu Guo Yong (2008) Di Te 364	31,572.10	February 16, 2078	Commercial/ residential
(3)	Dong Fu Guo Yong (2008) Di Te 365	16,656.80	February 16, 2078	Commercial/ residential
Total		<u>86,324.10</u>		

- Pursuant to Construction Land Planning Permit No. Di Zi Di 2008-27-10001 issued by Dongguan Urban Construction Planning Bureau on February 21, 2008, the land of the Development with a total site area of approximately 86,324.1580 sq.m. is permitted for residential use.
- We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - the land premium of the property has been fully settled and Dongguan Yingtai has obtained the State-owned Land Use Certificates for the land use rights of the property. Dongguan Yingtai legally owns the land use rights of the property. Dongguan Yingtai is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term save for the portion referred to in Note 3. ii. below;
 - the land use rights of the property with the State-owned Land Use Certificate Nos. Dong Fu Guo Yong (2008) Di Te 363 and 364 are mortgaged. During the effective period of the mortgage, Dongguan Yingtai shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of such portion of the property; and
 - the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 3. ii. above.

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PROPERTY VALUATION REPORT

4. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	No
iv.	Construction Works Commencement Permit	No
v.	Pre-sale Permit	No
vi.	Completed Construction Works Certified Report/Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

APPENDIX IV

PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																		
40.	Three parcels of land located at Jiangnan Section, Cuimei Garden Village Committee, Hengkeng, Luoyang Town, Boluo County, Huizhou, Guangdong Province, PRC	The property comprises three parcels of land with a total site area of approximately 1,663,969.00 sq.m. (17,910,962 sq.ft.) on which a residential development is to be developed in ten phases, the breakdown of which is as follows: <table> <tr> <th>Land Lot</th> <th colspan="2">Site area</th> </tr> <tr> <th></th> <th>(sq.m.)</th> <th>(sq.ft.)</th> </tr> <tr> <td>2008 (Chu Bei) 2</td> <td>393,627.00</td> <td>4,237,001</td> </tr> <tr> <td>2008 (Chu Bei) 7</td> <td>750,842.00</td> <td>8,082,063</td> </tr> <tr> <td>2008 (Chu Bei) 8</td> <td>519,500.00</td> <td>5,591,898</td> </tr> <tr> <td>Total</td> <td>1,663,969.00</td> <td>17,910,962</td> </tr> </table>	Land Lot	Site area			(sq.m.)	(sq.ft.)	2008 (Chu Bei) 2	393,627.00	4,237,001	2008 (Chu Bei) 7	750,842.00	8,082,063	2008 (Chu Bei) 8	519,500.00	5,591,898	Total	1,663,969.00	17,910,962	The property is currently a vacant site.	RMB1,049,000,000 (100% interest attributable to the Group: RMB1,049,000,000 (please see Note 4))
Land Lot	Site area																					
	(sq.m.)	(sq.ft.)																				
2008 (Chu Bei) 2	393,627.00	4,237,001																				
2008 (Chu Bei) 7	750,842.00	8,082,063																				
2008 (Chu Bei) 8	519,500.00	5,591,898																				
Total	1,663,969.00	17,910,962																				

According to the provided information, the property is to be developed with a total gross floor area of approximately 4,326,319 sq.m. (46,568,498 sq.ft.).

As advised by the Company, the property is scheduled to be completed in 2022.

Portion of the land use rights of the property have been granted for a term of 70 years expiring on June 6, 2078 for residential use.

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PROPERTY VALUATION REPORT

Notes:

- Pursuant to three State-owned Land Use Rights Grant Contracts all dated June 5, 2008 and three Supplemental Agreements all dated June 20, 2008 entered into between Huizhou Boluo Land Resources Bureau and Boluo Kaisa Property Development Co., Ltd. (博羅縣佳兆業房地產開發有限公司) (“Boluo Kaisa Property”), Boluo Kaisa Zhiye Co., Ltd. (博羅縣佳兆業置業有限公司) (“Boluo Kaisa Zhiye”) and Kaisa Technology (Huizhou) Co., Ltd. (佳兆業科技(惠州)有限公司) (“Huizhou Kaisa Technology”), wholly-owned subsidiaries of the Company, three parcels of land, on which the property is to be developed, with a total site area of approximately 1,663,969.00 sq.m. have been contracted to be granted to Boluo Kaisa Property, Boluo Kaisa Zhiye and Huizhou Kaisa Technology respectively for a term of 70 years for residential use at a total consideration of RMB915,500,000. Details of such Contracts are as follows:

No.	Land Lot	Company	Site Area (sq.m.)	Consideration (RMB)
(1)	2008(Chu Bei) 2	Boluo Kaisa Property	393,627.00	216,500,000
(2)	2008(Chu Bei) 7	Boluo Kaisa Zhiye	750,842.00	413,000,000
(3)	2008(Chu Bei) 8	Huizhou Kaisa Technology	519,500.00	286,000,000
Total:			<u>1,663,969.00</u>	<u>915,500,000</u>

- Pursuant to State-owned Land Use Certificate No. Bo Fu Guo Yong (2008) Di 010892 dated October 23, 2008 issued by the People’s Government of Boluo County, the land use rights of portion of the property with a site area of 393,627.00 sq.m. have been granted to Boluo Kaisa Property for a term expiring on June 6, 2078 for residential use.
- As advised by the Company, there was an outstanding land premium for Land Lot Nos. 2008 (Chu Bei) 7 and 8 of RMB459,000,000 to be paid as at the Valuation Date.
- We have assigned no commercial value to Land Lot Nos. 2008 (Chu Bei) 7 and 8 due to lack of State-owned Land Use Certificates as at the Valuation Date. Had the Group obtained the State-owned Land Use Certificates for Land Lot Nos. 2008 (Chu Bei) 7 and 8 and the land premium had been fully settled as at September 30, 2009, the capital value of the two parcels of land was estimated to be RMB3,385,500,000.
- We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - the land premium for Land Lot 2008 (Chu Bei) 2 in which the property is located has been fully settled and Boluo Kaisa Property has obtained the State-owned Land Use Rights Certificate for the land use rights of portion of the property. Boluo Kaisa

APPENDIX IV

PROPERTY VALUATION REPORT

Property legally owns the land use rights of portion of the property. Boluo Kaisa Property is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of portion of the land use rights of the property within the land use term; and

- ii. the State-owned Land Use Rights Grant Contracts and the Supplemental Agreements referred to in Note 1 above are legal, valid and binding on the parties thereto. Upon payment of the land premium in accordance with the terms of the corresponding State-owned Land Use Rights Grant Contracts and Supplemental Agreements, there is no legal impediment for Boluo Kaisa Zhiye and Huizhou Kaisa Technology to obtain the State-owned Land Use Certificates for the Land Lot Nos. 2008 (Chu Bei) 7 and 8; and
 - iii. the property is not subject to any mortgage or other third party’s encumbrance.
6. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Part
ii.	Construction Land Planning Permit	No
iii.	Construction Works Planning Permit	No
iv.	Construction Works Commencement Permit	No
v.	Pre-sale Permit	No
vi.	Completed Construction Works Certified Report/Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii.	Real Estate Title Certificate/Realty Title and Rights Certificate	No

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
41.	Chengdu Shangmao Garden located at Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County, Chengdu, Sichuan Province, PRC	The property is a commercial and residential development, namely Chengdu Shangmao Garden (the “Development”), to be developed in two phases on two parcels of land with a total site area of approximately 133,268.81 sq.m. (1,434,505 sq.ft.). According to the provided information, the property is to be developed with a total gross floor area of approximately 493,094.6 sq.m. (5,307,670 sq.ft.). As advised by the Company, the property is scheduled to be completed in 2012. The land use rights of the property have been granted for terms expiring on December 12, 2047 and December 12, 2077 for commercial and residential uses respectively.	The property is currently a vacant site.	816,700,000 (100% interest attributable to the Group: RMB816,700,000)

Notes:

- Pursuant to two State-owned Land Use Certificates both issued by the People’s Government of Shuangliu County, the land use rights of the property with a total site area of approximately 133,268.81 sq.m. have been granted to Chengdu Kaisa Investment Co., Ltd. (成都佳兆業投資有限公司) (“Chengdu Kaisa Investment”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Expiry Date	Use
(1)	Shuang Guo Yong (2008) Di 817	93,308.56	December 12, 2047	Commercial
(2)	Shuang Guo Yong (2008) Di 870	39,960.25	December 12, 2077	Residential

Total 133,268.81

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PROPERTY VALUATION REPORT

2. Pursuant to the Construction Land Planning Permit No. (2008) Di 003 issued by Shuangliu County Planning Construction Bureau on January 14, 2008, the land of the property with a site area of approximately 200 mu is permitted for commercial/residential uses.
3. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Chengdu Kaisa Investment has obtained the State-owned Land Use Certificates for the land use rights of the property. Chengdu Kaisa Investment legally owns the land use rights of the property. Chengdu Kaisa Investment is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the land use rights of the property within the land use term;
 - ii. since the delay in development of the property is caused by force majeure, pursuant to Article 26 of Urban Real Estate Management Law of the People’s Republic of China, the Group will not be subject to land idle fee or forfeiture of the land use rights by the local government authority; and
 - iii. the property is not subject to any mortgage or other third party’s encumbrance.
4. A summary of major certificates/approvals is shown as follows:

i. State-owned Land Use Rights Certificate/State-owned Land Use Certificate/Real Estate Title Certificate	Yes
ii. Construction Land Planning Permit	Yes
iii. Construction Works Planning Permit	No
iv. Construction Works Commencement Permit	No
v. Pre-sale Permit	No
vi. Completed Construction Works Certified Report/Real Estate Construction Project Completion Examination Archival Acknowledgments	No
vii. Real Estate Title Certificate/Realty Title and Rights Certificate	No

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
42.	Golden Bay Resort located at Xiasha Village, Dapeng Town, Longgang District, Shenzhen, Guangdong Province, PRC	The property is a hotel with an annex, namely Golden Bay Resort erected on a parcel of land with a site area of approximately 34,728.14 sq.m. (373,814 sq.ft.). It was completed in July 1997. According to the provided information, the property comprises a 3-star hotel and its dormitory with a total gross floor area of approximately 17,901.16 sq.m. (192,688 sq.ft.). As advised by the Company and according to the information supplied, the buildings of the property will be demolished to make way for a redevelopment of serviced apartment with a planned gross floor area of approximately 41,838.00 sq.m. (450,344 sq.ft.). The land use rights of the property have been granted for a term of 40 years commencing on April 9, 1998 and expiring on April 8, 2038 for commercial use.	The property is currently under renovation.	RMB260,000,000 (100% interest attributable to the Group: RMB260,000,000)

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PROPERTY VALUATION REPORT

Notes:

- Pursuant to various Real Estate Title Certificates all issued by the People’s Government of Shenzhen on 24 June 2009, the building ownership of the property with a total gross floor area of approximately 17,901.16 sq.m. is held by Shenzhen Golden Bay Resort Co., Ltd. (深圳市金沙灣大酒店有限公司) (“Golden Bay Resort”), a wholly-owned subsidiary of the Company. Details of such certificates are as follows:

No.	Certificate No.	Room No.	Use	Gross Floor Area (sq.m.)
(1)	Shen Fang Di Zi Di 6000348533	101	Commercial	214.42
(2)	Shen Fang Di Zi Di 6000348560	102	Commercial	227.54
(3)	Shen Fang Di Zi Di 6000348594	103	Commercial	929.65
(4)	Shen Fang Di Zi Di 6000348595	104	Commercial	69.15
(5)	Shen Fang Di Zi Di 6000348563	105	Commercial	38.16
(6)	Shen Fang Di Zi Di 6000348599	106	Commercial	20.77
(7)	Shen Fang Di Zi Di 6000348535	107	Commercial	20.77
(8)	Shen Fang Di Zi Di 6000348528	108	Commercial	394.95
(9)	Shen Fang Di Zi Di 6000348526	109	Commercial	22.79
(10)	Shen Fang Di Zi Di 6000348525	110	Commercial	33.01
(11)	Shen Fang Di Zi Di 6000348527	111	Commercial	29.86
(12)	Shen Fang Di Zi Di 6000348596	112	Commercial	108.08
(13)	Shen Fang Di Zi Di 6000348597	113	Commercial	19.27
(14)	Shen Fang Di Zi Di 6000348593	114	Commercial	521.71
(15)	Shen Fang Di Zi Di 6000348531	201	Commercial	64.59
(16)	Shen Fang Di Zi Di 6000348602	202	Commercial	52.40
(17)	Shen Fang Di Zi Di 6000348601	203	Commercial	52.39
(18)	Shen Fang Di Zi Di 6000348600	204	Commercial	52.38
(19)	Shen Fang Di Zi Di 6000348538	205	Commercial	52.40
(20)	Shen Fang Di Zi Di 6000348539	206	Commercial	52.40
(21)	Shen Fang Di Zi Di 6000348521	207	Commercial	52.40
(22)	Shen Fang Di Zi Di 6000348522	208	Commercial	52.40
(23)	Shen Fang Di Zi Di 6000348532	209	Commercial	52.40
(24)	Shen Fang Di Zi Di 6000348167	210	Commercial	52.40
(25)	Shen Fang Di Zi Di 6000348165	211	Commercial	57.14
(26)	Shen Fang Di Zi Di 6000348171	212	Commercial	55.85
(27)	Shen Fang Di Zi Di 6000348170	213	Commercial	55.72
(28)	Shen Fang Di Zi Di 6000348552	214	Commercial	55.84
(29)	Shen Fang Di Zi Di 6000348551	215	Commercial	55.84
(30)	Shen Fang Di Zi Di 6000348550	216	Commercial	60.25
(31)	Shen Fang Di Zi Di 6000348607	217	Commercial	56.24
(32)	Shen Fang Di Zi Di 6000348606	218	Commercial	52.12
(33)	Shen Fang Di Zi Di 6000348605	219	Commercial	52.12
(34)	Shen Fang Di Zi Di 6000348536	220	Commercial	52.07
(35)	Shen Fang Di Zi Di 6000348604	221	Commercial	50.09
(36)	Shen Fang Di Zi Di 6000348603	222	Commercial	1,237.13
(37)	Shen Fang Di Zi Di 6000348559	223	Commercial	149.43
(38)	Shen Fang Di Zi Di 6000348558	224	Commercial	74.02
(39)	Shen Fang Di Zi Di 6000348557	225	Commercial	32.78
(40)	Shen Fang Di Zi Di 6000348556	226	Commercial	31.14
(41)	Shen Fang Di Zi Di 6000348524	227	Commercial	36.40

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No.	Certificate No.	Room No.	Use	Gross Floor Area (sq.m.)
(42)	Shen Fang Di Zi Di 6000348555	228	Commercial	1,307.38
(43)	Shen Fang Di Zi Di 6000348554	229	Commercial	322.77
(44)	Shen Fang Di Zi Di 6000348523	230	Commercial	565.21
(45)	Shen Fang Di Zi Di 6000348553	301	Commercial	64.06
(46)	Shen Fang Di Zi Di 6000348168	302	Commercial	59.37
(47)	Shen Fang Di Zi Di 6000348169	303	Commercial	59.37
(48)	Shen Fang Di Zi Di 6000348173	304	Commercial	59.17
(49)	Shen Fang Di Zi Di 6000348172	305	Commercial	61.73
(50)	Shen Fang Di Zi Di 6000348174	306	Commercial	59.17
(51)	Shen Fang Di Zi Di 6000348175	307	Commercial	88.91
(52)	Shen Fang Di Zi Di 6000348176	308	Commercial	97.19
(53)	Shen Fang Di Zi Di 6000348177	309	Commercial	97.19
(54)	Shen Fang Di Zi Di 6000348178	310	Commercial	88.91
(55)	Shen Fang Di Zi Di 6000348543	311	Commercial	59.17
(56)	Shen Fang Di Zi Di 6000348544	312	Commercial	61.73
(57)	Shen Fang Di Zi Di 6000348587	313	Commercial	59.17
(58)	Shen Fang Di Zi Di 6000348586	314	Commercial	62.49
(59)	Shen Fang Di Zi Di 6000348534	315	Commercial	80.87
(60)	Shen Fang Di Zi Di 6000348585	316	Commercial	80.72
(61)	Shen Fang Di Zi Di 6000348584	317	Commercial	81.32
(62)	Shen Fang Di Zi Di 6000348598	318	Commercial	79.25
(63)	Shen Fang Di Zi Di 6000348608	319	Commercial	79.25
(64)	Shen Fang Di Zi Di 6000348562	320	Commercial	79.25
(65)	Shen Fang Di Zi Di 6000348561	321	Commercial	79.25
(66)	Shen Fang Di Zi Di 6000348145	322	Commercial	79.25
(67)	Shen Fang Di Zi Di 6000348540	323	Commercial	79.25
(68)	Shen Fang Di Zi Di 6000348541	324	Commercial	79.25
(69)	Shen Fang Di Zi Di 6000348542	325	Commercial	79.27
(70)	Shen Fang Di Zi Di 6000348530	326	Commercial	78.52
(71)	Shen Fang Di Zi Di 6000348537	327	Commercial	51.51
(72)	Shen Fang Di Zi Di 6000348138	328	Commercial	302.71
(73)	Shen Fang Di Zi Di 6000348133	329	Commercial	51.61
(74)	Shen Fang Di Zi Di 6000348146	330	Commercial	51.53
(75)	Shen Fang Di Zi Di 6000348140	331	Commercial	51.53
(76)	Shen Fang Di Zi Di 6000348568	332	Commercial	51.53
(77)	Shen Fang Di Zi Di 6000348643	333	Commercial	53.46
(78)	Shen Fang Di Zi Di 6000348578	334	Commercial	49.60
(79)	Shen Fang Di Zi Di 6000348577	335	Commercial	61.66
(80)	Shen Fang Di Zi Di 6000348632	336	Commercial	61.66
(81)	Shen Fang Di Zi Di 6000348633	337	Commercial	59.86
(82)	Shen Fang Di Zi Di 6000348629	338	Commercial	64.24
(83)	Shen Fang Di Zi Di 6000348627	339	Commercial	56.20
(84)	Shen Fang Di Zi Di 6000348626	340	Commercial	62.50
(85)	Shen Fang Di Zi Di 6000348623	341	Commercial	85.17
(86)	Shen Fang Di Zi Di 6000348621	342	Commercial	224.66
(87)	Shen Fang Di Zi Di 6000348620	343	Commercial	55.90
(88)	Shen Fang Di Zi Di 6000348618	344	Commercial	38.54
(89)	Shen Fang Di Zi Di 6000348617	345	Commercial	30.62
(90)	Shen Fang Di Zi Di 6000348616	346	Commercial	20.25
(91)	Shen Fang Di Zi Di 6000348615	347	Commercial	147.06
(92)	Shen Fang Di Zi Di 6000348147	348	Commercial	56.96

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No.	Certificate No.	Room No.	Use	Gross Floor Area (sq.m.)
(93)	Shen Fang Di Zi Di 6000348149	401	Commercial	49.59
(94)	Shen Fang Di Zi Di 6000348153	402	Commercial	45.96
(95)	Shen Fang Di Zi Di 6000348152	403	Commercial	45.96
(96)	Shen Fang Di Zi Di 6000348570	404	Commercial	45.75
(97)	Shen Fang Di Zi Di 6000348154	405	Commercial	65.33
(98)	Shen Fang Di Zi Di 6000348569	406	Commercial	60.72
(99)	Shen Fang Di Zi Di 6000348155	407	Commercial	93.64
(100)	Shen Fang Di Zi Di 6000348156	408	Commercial	105.11
(101)	Shen Fang Di Zi Di 6000348141	409	Commercial	105.28
(102)	Shen Fang Di Zi Di 6000348157	410	Commercial	93.47
(103)	Shen Fang Di Zi Di 6000348158	411	Commercial	60.72
(104)	Shen Fang Di Zi Di 6000348142	412	Commercial	63.02
(105)	Shen Fang Di Zi Di 6000348159	413	Commercial	60.72
(106)	Shen Fang Di Zi Di 6000348160	414	Commercial	64.68
(107)	Shen Fang Di Zi Di 6000348143	415	Commercial	57.09
(108)	Shen Fang Di Zi Di 6000348161	416	Commercial	56.24
(109)	Shen Fang Di Zi Di 6000348144	417	Commercial	56.40
(110)	Shen Fang Di Zi Di 6000348163	418	Commercial	54.98
(111)	Shen Fang Di Zi Di 6000348162	419	Commercial	54.98
(112)	Shen Fang Di Zi Di 6000348614	420	Commercial	54.98
(113)	Shen Fang Di Zi Di 6000348164	421	Commercial	54.98
(114)	Shen Fang Di Zi Di 6000348564	422	Commercial	54.98
(115)	Shen Fang Di Zi Di 6000348566	423	Commercial	54.98
(116)	Shen Fang Di Zi Di 6000348565	424	Commercial	54.98
(117)	Shen Fang Di Zi Di 6000348567	425	Commercial	54.98
(118)	Shen Fang Di Zi Di 6000348549	426	Commercial	55.71
(119)	Shen Fang Di Zi Di 6000348571	427	Commercial	59.70
(120)	Shen Fang Di Zi Di 6000348583	428	Commercial	56.51
(121)	Shen Fang Di Zi Di 6000348572	429	Commercial	56.63
(122)	Shen Fang Di Zi Di 6000348581	430	Commercial	56.57
(123)	Shen Fang Di Zi Di 6000348573	431	Commercial	56.57
(124)	Shen Fang Di Zi Di 6000348580	432	Commercial	56.57
(125)	Shen Fang Di Zi Di 6000348574	433	Commercial	56.57
(126)	Shen Fang Di Zi Di 6000348613	434	Commercial	56.57
(127)	Shen Fang Di Zi Di 6000348575	435	Commercial	41.04
(128)	Shen Fang Di Zi Di 6000348612	436	Commercial	35.68
(129)	Shen Fang Di Zi Di 6000348576	437	Commercial	23.30
(130)	Shen Fang Di Zi Di 6000348611	438	Commercial	253.93
(131)	Shen Fang Di Zi Di 6000348579	439	Commercial	62.19
(132)	Shen Fang Di Zi Di 6000348610	501	Commercial	68.74
(133)	Shen Fang Di Zi Di 6000348529	502	Commercial	63.71
(134)	Shen Fang Di Zi Di 6000348609	503	Commercial	99.64
(135)	Shen Fang Di Zi Di 6000348588	504	Commercial	108.92
(136)	Shen Fang Di Zi Di 6000348582	505	Commercial	108.92
(137)	Shen Fang Di Zi Di 6000348644	506	Commercial	99.64
(138)	Shen Fang Di Zi Di 6000348589	507	Commercial	63.71
(139)	Shen Fang Di Zi Di 6000348645	508	Commercial	66.13
(140)	Shen Fang Di Zi Di 6000348591	509	Commercial	63.71
(141)	Shen Fang Di Zi Di 6000348646	510	Commercial	68.68
(142)	Shen Fang Di Zi Di 6000348590	511	Commercial	49.38
(143)	Shen Fang Di Zi Di 6000348642	512	Commercial	49.29

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No.	Certificate No.	Room No.	Use	Gross Floor Area (sq.m.)
(144)	Shen Fang Di Zi Di 6000348592	513	Commercial	56.43
(145)	Shen Fang Di Zi Di 6000348639	514	Commercial	54.00
(146)	Shen Fang Di Zi Di 6000348516	515	Commercial	54.00
(147)	Shen Fang Di Zi Di 6000348660	516	Commercial	54.00
(148)	Shen Fang Di Zi Di 6000348517	517	Commercial	54.00
(149)	Shen Fang Di Zi Di 6000348638	518	Commercial	54.00
(150)	Shen Fang Di Zi Di 6000348518	519	Commercial	53.98
(151)	Shen Fang Di Zi Di 6000348637	520	Commercial	57.10
(152)	Shen Fang Di Zi Di 6000348520	521	Commercial	43.19
(153)	Shen Fang Di Zi Di 6000348139	522	Commercial	37.44
(154)	Shen Fang Di Zi Di 6000348636	523	Commercial	24.45
(155)	Shen Fang Di Zi Di 6000348635	524	Commercial	266.46
(156)	Shen Fang Di Zi Di 6000348640	525	Commercial	65.26
(157)	Shen Fang Di Zi Di 6000348624	Dormitory	Residential	2,451.65
Total				17,901.16

2. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- i. Golden Bay Resort has obtained the Real Estate Title Certificates for the buildings of the property. Golden Bay Resort legally owns the building ownership and the underlying land use rights of the property;
- ii. Golden Bay Resort is entitled to occupy, use, lease, transfer, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for portions referred to in Notes 2. iii. and iv. below;
- iii. the property is under renovation and Golden Bay Resort is not entitled to sell or transfer the property before completion of such renovation;
- iv. the property subject to the Real Estate Title Certificate mentioned as (1) to (157) in Note 1. above is mortgaged. During the effective period of the mortgage, Golden Bay Resort shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property; and
- v. the property is not subject to any mortgage or other third party’s encumbrance save for the portions referred to in Notes 2. iii. and iv. above.

3. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Yes

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Group V — Property interests held by the Group for investment in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
43.	Various commercial units of Shenzhen Kaisa Center, East of Shangbu South Road and North of Nanyuan Road, Futian District, Shenzhen, Guangdong Province, PRC	Shenzhen Kaisa Center (the “Development”) comprises two 29-storey commercial/office/apartment buildings erected over a 3-level basement car park. It was completed in August 2006. The property under consideration comprises various commercial units of the Development. The total gross floor area of the property is approximately 19,555.66 sq.m. (210,497 sq.ft.). The land use rights of the property have been granted for a term of 50 years commencing on November 18, 2005 and expiring on November 17, 2055 for commercial and apartment uses.	Portion of the property with a total gross floor area of approximately 19,481.11 sq.m. is subject to various tenancies with the latest one expiring on July 9, 2022 at a total monthly rental of approximately RMB1,612,878. The remaining portion of the property is currently vacant.	RMB447,300,000 (100% interest attributable to the Group: RMB447,300,000)

Notes:

1. Pursuant to Real Estate Title Certificate No. Shen Fang Di Zi 3000456861 issued by the People’s Government of Shenzhen on March 8, 2007, the building ownership and its underlying land use rights of, *inter alia*, the property with a gross floor area of approximately 21,936.7 sq.m. are held by Shenzhen Jililong for a term commencing on November 18, 2005 and expiring on November 17, 2055 for commercial and apartment uses.
2. We have been provided a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alias*, the following information:
 - i. Shenzhen Jililong has obtained the Real Estate Title Certificate for the buildings of the property. Shenzhen Jililong legally owns the building ownership and the underlying land use rights of the property;
 - ii. Shenzhen Jililong is entitled to occupy, use, lease, transfer, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portions referred to in Notes 2. iii. and iv. below;

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- iii. for the portion of the property which is subject to various tenancies, the tenancy agreements concerned are legal, valid, binding on the parties thereto and enforceable. Such tenancy agreements have been registered. Shenzhen Jililong’s right as landlord under such tenancy agreements (including the right to collect rental thereunder) is recognized and protected by PRC laws. Within the terms of such tenancies, Shenzhen Jililong shall have to notify the relevant tenant for transferring and re-leasing of such portion of the property and the relevant tenant has the right of first refusal to purchase such portion of the property;
 - iv. the property subject to Real Estate Title Certificate No. Shen Fang Di Zi 3000456861 is mortgaged. During the effective period of the mortgage, Shenzhen Jililong shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of the property; and
 - v. the property is not subject to any mortgage or other third party’s encumbrance save for the portions referred to in Notes 2. iii. and iv. above.
3. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Yes

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009															
44.	Various commercial units and clubhouse of Phases IV and VI of Woodland Height, Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, PRC	Woodland Height (the “Development”) is a large-scale residential development completed in various stages between 2001 and 2006. The property under consideration comprises various commercial units and clubhouse of Phases IV and VI of the Development. The total gross floor area of the property is approximately 8,631.76 sq.m. (92,912 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Clubhouse</td><td>1,887.95</td><td>20,322</td></tr><tr><td>Commercial</td><td><u>6,743.81</u></td><td><u>72,590</u></td></tr><tr><td>Total</td><td><u><u>8,631.76</u></u></td><td><u><u>92,912</u></u></td></tr></table> The land use rights of the property have been granted for various terms of 70 years commencing on June 3, 1993, October 11, 1994 and expiring on June 2, 2063, October 10, 2064 respectively for commercial and residential uses.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Clubhouse	1,887.95	20,322	Commercial	<u>6,743.81</u>	<u>72,590</u>	Total	<u><u>8,631.76</u></u>	<u><u>92,912</u></u>	The property is subject to various tenancies with the latest one expiring on April 29, 2026 at a total monthly rental of approximately RMB522,270.60.	RMB148,660,000 (100% interest attributable to the Group: RMB148,660,000 (please see Note 2))
Use	Gross Floor Area																		
	(sq.m.)	(sq.ft.)																	
Clubhouse	1,887.95	20,322																	
Commercial	<u>6,743.81</u>	<u>72,590</u>																	
Total	<u><u>8,631.76</u></u>	<u><u>92,912</u></u>																	

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Notes:

- Pursuant to various Real Estate Title Certificates all issued by the People’s Government of Shenzhen, the building ownership and its underlying land use rights of the property with a total gross floor area of approximately 8,631.76 sq.m. are held by Shenzhen Kaisa Property for various terms of 70 years commencing on June 3, 1993, October 11, 1994 and expiring on June 2, 2063, October 10, 2064 for commercial and residential uses respectively. Details of such certificates are as follows:

No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(1)	Block 16, Unit 106	Shen Fang Di Zi 6000101403	139.56
(2)	Block 16, Unit 112	Shen Fang Di Zi 6000107626	342.16
(3)	Block 16, Unit 116	Shen Fang Di Zi 6000101402	178.73
(4)	Block 16, Unit 119	Shen Fang Di Zi 6000107625	139.56
(5)	Block 16, Unit 101	Shen Fang Di Zi 6000272086	134.76
(6)	Block 16, Unit 102	Shen Fang Di Zi 6000272087	144.13
(7)	Block 16, Unit 103	Shen Fang Di Zi 6000272756	194.49
(8)	Block 16, Unit 105	Shen Fang Di Zi 6000272757	124.69
(9)	Block 16, Unit 107	Shen Fang Di Zi 6000270350	169.84
(10)	Block 16, Unit 108	Shen Fang Di Zi 6000270352	194.49
(11)	Block 16, Unit 109	Shen Fang Di Zi 6000272754	178.73
(12)	Block 16, Unit 110	Shen Fang Di Zi 6000272090	192.81
(13)	Block 16, Unit 111	Shen Fang Di Zi 6000272082	212.12
(14)	Block 16, Unit 113	Shen Fang Di Zi 6000272083	212.12
(15)	Block 16, Unit 115	Shen Fang Di Zi 6000272089	192.81
(16)	Block 16, Unit 117	Shen Fang Di Zi 6000272091	194.49
(17)	Block 16, Unit 118	Shen Fang Di Zi 6000272088	169.84
(18)	Block 16, Unit 120	Shen Fang Di Zi 6000272084	124.69
(19)	Block 16, Unit 121	Shen Fang Di Zi 6000272085	194.49
(20)	Block 16, Unit 122	Shen Fang Di Zi 6000272755	144.13
(21)	Block 16, Unit 123	Shen Fang Di Zi 6000272758	134.76
(22)	Unit 2-0882, Phase VI	Shen Fang Di Zi 6000207579	20.14
(23)	Unit 2-0883, Phase VI	Shen Fang Di Zi 6000207581	12.98
(24)	Unit 2-0885, Phase VI	Shen Fang Di Zi 6000207583	15.37
(25)	Unit 2-0886, Phase VI	Shen Fang Di Zi 6000207584	14.92
(26)	Unit 2-0887, Phase VI	Shen Fang Di Zi 6000207586	14.92
(27)	Unit 2-0888, Phase VI	Shen Fang Di Zi 6000207587	15.29
(28)	Unit 2-0889, Phase VI	Shen Fang Di Zi 6000207589	19.76
(29)	Unit 2-0890, Phase VI	Shen Fang Di Zi 6000207591	20.14
(30)	Unit 2-0891, Phase VI	Shen Fang Di Zi 6000207593	16.41
(31)	Unit 2-0892, Phase VI	Shen Fang Di Zi 6000207594	16.41
(32)	Unit 2-0893, Phase VI	Shen Fang Di Zi 6000207596	16.41
(33)	Unit 2-0895, Phase VI	Shen Fang Di Zi 6000207597	16.41
(34)	Unit 2-0896, Phase VI	Shen Fang Di Zi 6000207599	16.41

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(35)	Unit 2-0897, Phase VI	Shen Fang Di Zi 6000207600	16.41
(36)	Unit 2-0898, Phase VI	Shen Fang Di Zi 6000207602	15.48
(37)	Unit 2-0899, Phase VI	Shen Fang Di Zi 6000207603	15.48
(38)	Unit 2-0900, Phase VI	Shen Fang Di Zi 6000207604	15.48
(39)	Unit 2-0901, Phase VI	Shen Fang Di Zi 6000207444	15.48
(40)	Unit 2-0902, Phase VI	Shen Fang Di Zi 6000207446	17.34
(41)	Unit 2-0903, Phase VI	Shen Fang Di Zi 6000207448	17.12
(42)	Unit 2-0905, Phase VI	Shen Fang Di Zi 6000207450	17.79
(43)	Unit 2-0906, Phase VI	Shen Fang Di Zi 6000207452	18.12
(44)	Unit 2-0907, Phase VI	Shen Fang Di Zi 6000207454	18.27
(45)	Unit 2-0908, Phase VI	Shen Fang Di Zi 6000207456	23.06
(46)	Unit 2-0909, Phase VI	Shen Fang Di Zi 6000207458	23.5
(47)	Unit 2-0910, Phase VI	Shen Fang Di Zi 6000207461	14.77
(48)	Unit 2-0911, Phase VI	Shen Fang Di Zi 6000207463	14.77
(49)	Unit 2-0912, Phase VI	Shen Fang Di Zi 6000207465	14.77
(50)	Unit 2-0913, Phase VI	Shen Fang Di Zi 6000207467	19.15
(51)	Unit 2-0915, Phase VI	Shen Fang Di Zi 6000207469	19.14
(52)	Unit 2-0916, Phase VI	Shen Fang Di Zi 6000207471	19.14
(53)	Unit 2-0917, Phase VI	Shen Fang Di Zi 6000207472	13.93
(54)	Unit 2-0918, Phase VI	Shen Fang Di Zi 6000207475	13.93
(55)	Unit 2-0919, Phase VI	Shen Fang Di Zi 6000207477	18.05
(56)	Unit 2-0920, Phase VI	Shen Fang Di Zi 6000207479	18.05
(57)	Unit 2-0921, Phase VI	Shen Fang Di Zi 6000207481	22.42
(58)	Unit 2-0922, Phase VI	Shen Fang Di Zi 6000207484	19.31
(59)	Unit 2-0923, Phase VI	Shen Fang Di Zi 6000207486	19.31
(60)	Unit 2-0925, Phase VI	Shen Fang Di Zi 6000207488	19.31
(61)	Unit 2-0926, Phase VI	Shen Fang Di Zi 6000207489	19.31
(62)	Unit 2-0927, Phase VI	Shen Fang Di Zi 6000207493	19.79
(63)	Unit 2-0928, Phase VI	Shen Fang Di Zi 6000207494	63.65
(64)	Unit 2-0929, Phase VI	Shen Fang Di Zi 6000207495	35.78
(65)	Unit 2-0930, Phase VI	Shen Fang Di Zi 6000207496	35.79
(66)	Unit 2-0931, Phase VI	Shen Fang Di Zi 6000207498	35.16
(67)	Unit 2-0932, Phase VI	Shen Fang Di Zi 6000207500	36.41
(68)	Unit 2-0933, Phase VI	Shen Fang Di Zi 6000207503	25.11
(69)	Unit 2-0934, Phase VI	Shen Fang Di Zi 6000207504	37.23
(70)	Unit 2-0935, Phase VI	Shen Fang Di Zi 6000207506	33.95
(71)	Unit 2-0936, Phase VI	Shen Fang Di Zi 6000207508	42.78
(72)	Unit 2-0937, Phase VI	Shen Fang Di Zi 6000207509	32.19
(73)	Unit 2-0938, Phase VI	Shen Fang Di Zi 6000207510	37.62
(74)	Clubhouse Unit 401, Phase VI	Shen Fang Di Zi 6000207511	1,887.95
(75)	Unit 1-0189, Phase VI	Shen Fang Di Zi 6000207512	200.7
(76)	Unit 1-0190, Phase VI	Shen Fang Di Zi 6000207513	31.11
(77)	Unit 1-0191, Phase VI	Shen Fang Di Zi 6000207515	38.23
(78)	Unit 1-0193, Phase VI	Shen Fang Di Zi 6000207516	46.9

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(79)	Unit 1-0195, Phase VI	Shen Fang Di Zi 6000207518	158.75
(80)	Unit 1-0192, Phase VI	Shen Fang Di Zi 6000207519	47.28
(81)	Unit 1-0196, Phase VI	Shen Fang Di Zi 6000207520	134.93
(82)	Unit 1-0197, Phase VI	Shen Fang Di Zi 6000207521	45.21
(83)	Unit 1-0198, Phase VI	Shen Fang Di Zi 6000207522	37.48
(84)	Unit 1-0199, Phase VI	Shen Fang Di Zi 6000207523	33.33
(85)	Unit 1-0201, Phase VI	Shen Fang Di Zi 6000207525	31.14
(86)	Unit 1-0200, Phase VI	Shen Fang Di Zi 6000207526	43.91
(87)	Unit 1-0202, Phase VI	Shen Fang Di Zi 6000207527	31.14
(88)	Unit 1-0203, Phase VI	Shen Fang Di Zi 6000207528	53.82
(89)	Unit 1-0205, Phase VI	Shen Fang Di Zi 6000207530	59.97
(90)	Unit 1-0206, Phase VI	Shen Fang Di Zi 6000207533	41.9
(91)	Unit 1-0207, Phase VI	Shen Fang Di Zi 6000207535	59.97
(92)	Unit 1-0208, Phase VI	Shen Fang Di Zi 6000207536	30.75
(93)	Unit 1-0209, Phase VI	Shen Fang Di Zi 6000207538	30.75
(94)	Unit 1-0210, Phase VI	Shen Fang Di Zi 6000207539	30.75
(95)	Unit 1-0211, Phase VI	Shen Fang Di Zi 6000207541	30.75
(96)	Unit 1-0212, Phase VI	Shen Fang Di Zi 6000207544	15.69
(97)	Unit 1-0213, Phase VI	Shen Fang Di Zi 6000207546	8.01
(98)	Unit 1-0215, Phase VI	Shen Fang Di Zi 6000207547	11.37
(99)	Unit 1-0216, Phase VI	Shen Fang Di Zi 6000207549	25.35
(100)	Unit 1-0217, Phase VI	Shen Fang Di Zi 6000207736	23.22
(101)	Unit 1-0218, Phase VI	Shen Fang Di Zi 6000207551	23.22
(102)	Unit 1-0219, Phase VI	Shen Fang Di Zi 6000207552	40.03
(103)	Unit 1-0220, Phase VI	Shen Fang Di Zi 6000207555	24.6
(104)	Unit 1-0221, Phase VI	Shen Fang Di Zi 6000207556	22.55
(105)	Unit 1-0222, Phase VI	Shen Fang Di Zi 6000207557	30.75
(106)	Unit 1-0223, Phase VI	Shen Fang Di Zi 6000207559	30.75
(107)	Unit 1-0225, Phase VI	Shen Fang Di Zi 6000207561	20.17
(108)	Unit 1-0226, Phase VI	Shen Fang Di Zi 6000207562	22.55
(109)	Unit 1-0227, Phase VI	Shen Fang Di Zi 6000207733	30.75
(110)	Unit 1-0228, Phase VI	Shen Fang Di Zi 6000207737	30.75
(111)	Unit 1-0229, Phase VI	Shen Fang Di Zi 6000207563	32.08
(112)	Unit 1-0230, Phase VI	Shen Fang Di Zi 6000207564	32.08
(113)	Unit 1-0231, Phase VI	Shen Fang Di Zi 6000207565	32.08
(114)	Unit 1-0232, Phase VI	Shen Fang Di Zi 6000207734	32.08
(115)	Unit 1-0233, Phase VI	Shen Fang Di Zi 6000207566	18.77
(116)	Unit 1-0235, Phase VI	Shen Fang Di Zi 6000207567	39.98
(117)	Unit 1-0236, Phase VI	Shen Fang Di Zi 6000207569	25.87
(118)	Unit 2-0876, Phase VI	Shen Fang Di Zi 6000207570	28.77
(119)	Unit 2-0877, Phase VI	Shen Fang Di Zi 6000207571	15.36
(120)	Unit 2-0878, Phase VI	Shen Fang Di Zi 6000207573	14.92
(121)	Unit 2-0879, Phase VI	Shen Fang Di Zi 6000207575	14.92
(122)	Unit 2-0880, Phase VI	Shen Fang Di Zi 6000207576	15.29

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No.	Unit	Certificate No.	Gross Floor Area (sq.m.)
(123)	Unit 2-0881, Phase VI Shen	Fang Di Zi 6000207578	<u>19.76</u>
Total			<u><u>8,631.76</u></u>

2. The market values of Phases IV and VI as at the Valuation Date are listed as follows:

Phase	Gross Floor Area (sq.m.)	Market Value (RMB)
Phase IV	3,713.40	76,870,000
Phase VI	<u>4,918.36</u>	<u>71,790,000</u>
Total	<u><u>8,631.76</u></u>	<u><u>148,660,000</u></u>

3. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- i. Shenzhen Kaisa Property has obtained the Real Estate Title Certificates for the buildings of the property. Shenzhen Kaisa Property legally owns the building ownership and the underlying land use rights of the property;
- ii. Shenzhen Kaisa Property is entitled to occupy, use, lease, transfer, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portion referred to in Note 3. iii. below;
- iii. for the portion of the property which is subject to various tenancies, the tenancy agreements concerned are legal, valid, binding on the parties thereto and enforceable. Such tenancy agreements have been registered. Shenzhen Kaisa Property’s right as landlord under such tenancy agreements (including the right to collect rental thereunder) is recognized and protected by PRC laws. Within the terms of such tenancies, Shenzhen Kaisa Property shall have to notify the relevant tenant for transferring and re-leasing of such portion of the property and the relevant tenant has the right of first refusal to purchase such portion of the property; and
- iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portion referred to in Note 3. iii. above.

4. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate	Yes

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009															
45.	Various retail shops and car parks of Guangzhou Jinmao Project, No. 191 Tiyu West Road, Tianhe District, Guangzhou, Guangdong Province, PRC	Guangzhou Jinmao Project (the “Development”) is erected on a parcel of land with a site area of approximately 12,787.827 sq.m. (137,648 sq. ft.). The Development comprises two 51-storey office towers over-mounting a 5-storey commercial podium plus a 3-level basement for retail and car parking uses. It was completed in May 2008. The property under consideration comprises retail shops and car parks of the Development. The total gross floor area the property is of approximately 44,957.96 sq.m. (483,927 sq.ft.), the breakdown of which is as follows:) <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Retail shops</td><td>38,201.58</td><td>411,202</td></tr><tr><td>Car parks</td><td><u>6,756.38</u></td><td><u>72,725</u></td></tr><tr><td>Total</td><td><u><u>44,957.96</u></u></td><td><u><u>483,927</u></u></td></tr></table> The land use rights of the property have been granted for terms of 70 years, 40 years and 50 years commencing on May 22, 1993 for residential, commercial, tourism and entertainment and others uses respectively.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Retail shops	38,201.58	411,202	Car parks	<u>6,756.38</u>	<u>72,725</u>	Total	<u><u>44,957.96</u></u>	<u><u>483,927</u></u>	Portion of the property with a total gross floor area of approximately 32,849.72 sq.m. is subject to various tenancies with the latest one expiring on December 7, 2023 at a total monthly rental of approximately RMB4,377,185.49. The remaining portion of the property is currently vacant.	RMB974,700,000 (100% interest attributable to the Group: RMB974,700,000)
Use	Gross Floor Area																		
	(sq.m.)	(sq.ft.)																	
Retail shops	38,201.58	411,202																	
Car parks	<u>6,756.38</u>	<u>72,725</u>																	
Total	<u><u>44,957.96</u></u>	<u><u>483,927</u></u>																	

Notes:

- Pursuant to State-owned Land Use Certificate No. Sui Fu Guo Yong (2006) 01100135 issued by the People’s Government of Guangzhou Municipality on November 7, 2006, the land use rights of the Development with a site area of approximately 12,787.827 sq.m. have been

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granted to Guangzhou Jinmao Property for terms of 70 years, 40 years and 50 years commencing on May 22, 1993 for residential, commercial, tourism and entertainment and others uses respectively.

2. Pursuant to Pre-sale Permit No. Sui Fang Yu (Wang) Zi Di 20060181-1 issued by Bureau of Land Resources and Housing Management of Guangzhou Municipality on December 19, 2006, portion of the Development with a total gross floor area of approximately 143,514.72 sq.m. is permitted for pre-sale.
3. Pursuant to Record of Acceptance Examination Upon Completion of Housing Construction Projects and Municipal Infrastructure No. Sui Jian Yan Bei 2008-026 issued by Construction Bureau of Guangzhou Municipality on May 13, 2008, the Development has passed the acceptance examination.
4. Pursuant to the Guangzhou City Realty Title and Rights Certificate No. 0002503 issued by Bureau of Land Resources and Housing Management of Guangzhou Municipality on October 9, 2008, the Development with a total gross floor area of 223,107.93 sq.m., in which the property is located, is held by Guangzhou Jinmao Property.
5. Pursuant to ten Real Estate Title Certificates all issued by the People’s Government of Guangzhou Municipality on December 6, 2008, the building ownership of the retail shops of the property with a total gross floor area of approximately 38,201.5774 sq.m. is held by Guangzhou Jinmao Property. Details of such certificates are as follows:

No.	Unit	Certificate No.	Gross floor area (sq.m.)
(1)	No. 73 on Basement Floor 1	Yue Fang Di Chan Zheng Zi Di C7121557	7,949.6728
(2)	No.101	Yue Fang Di Chan Zheng Zi Di C7121558	5,419.1821
(3)	No.102	Yue Fang Di Chan Zheng Zi Di C7121559	125.2118
(4)	No.103	Yue Fang Di Chan Zheng Zi Di C7121560	64.4964
(5)	No.104	Yue Fang Di Chan Zheng Zi Di C7121561	59.8197
(6)	No.105	Yue Fang Di Chan Zheng Zi Di C7121562	125.2118
(7)	No.201	Yue Fang Di Chan Zheng Zi Di C7121566	8,069.5384
(8)	No.301	Yue Fang Di Chan Zheng Zi Di C7121563	8,426.5417
(9)	No.401	Yue Fang Di Chan Zheng Zi Di C7121564	6,899.5118
(10)	No.402	Yue Fang Di Chan Zheng Zi Di C7121565	1,062.3909
Total			<u>38,201.5774</u>

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6. As advised by the Company, there was an estimated outstanding construction cost of RMB42,581,520 (excluding marketing and finance costs) as at the Valuation Date. We have not taken into account the aforesaid amount in our valuation.
7. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the land premium of the property has been fully settled and Guangzhou Jinmao Property has obtained the State-owned Land Use Certificates for the land use rights of the property and the Realty Title and Rights Certificates Real Estate Title Certificates for the buildings of the property. Guangzhou Jinmao Property legally owns the building ownership and the underlying land use rights of the property. Guangzhou Jinmao Property is entitled to occupy, use, transfer, lease, mortgage or by other legal means dispose of the buildings and their underlying land use rights of the property within the land use term save for the portions referred to in Notes 7. ii. and iii. below;
 - ii. for the portion of the property which is subject to various tenancies, the tenancy agreements concerned are legal, valid, binding on the parties thereto and enforceable. Such tenancy agreements have been registered. Guangzhou Jinmao Property’s right as landlord under such tenancy agreements (including the right to collect rental thereunder) is recognized and protected by PRC laws. Within the terms of such tenancies, Guangzhou Jinmao Property shall have to notify the relevant tenant for transferring and re-leasing of such portion of the property and the relevant tenant has the right of first refusal to purchase such portion of the property;
 - iii. portions of the property subject to the Real Estate Certificates Nos. Yue Fang Di Zheng C7121557, C7121558, C7121559, C7121560, C7121561, C7121562, C7121563, C7121564, C7121565 and C7121566 are mortgaged. During the effective period of the mortgages, Guangzhou Jinmao Property shall have to obtain the consent from the corresponding mortgagee for transferring or by other legal means disposing of such portion of the property; and
 - iv. the property is not subject to any mortgage or other third party’s encumbrance save for the portions referred to in Notes 7. ii. and iii. above.
8. A summary of major certificates/approvals is shown as follows:

Real Estate Title Certificate/Realty Title and Rights Certificate

Yes

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Group VI — Property interests rented by the Group in the PRC

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
46.	Office Units Nos. 2906, 2907, 3301, 3302, 3305, 3306, 3307 and 3308 of Kerry Centre, Renmin South Road, Luohu District, Shenzhen, Guangdong Province, PRC	The property comprises eight office units on both Levels 29 and 33 of a 33-storey commercial building erected on a 2-level basement car park completed in 1997. The property has a total gross floor area of approximately 1,817.07 sq.m. (19,559 sq.ft.). The property is subject to six separate tenancy agreements at a total monthly rental of RMB233,674.60 (Please refer to Notes 1 to 6 for tenancy details).	The property is occupied by the Group for office use.	No commercial value

Notes:

1. The Group leased Office Units Nos. 2906 and 2907 with a total gross floor area of approximately 472.15 sq.m. from Chuangfujia Trade (Shenzhen) Co., Ltd. (創富佳貿易（深圳）有限公司), an independent third party, for a term from May 1, 2009 to May 9, 2010 at a monthly rental of RMB83,098.
2. The Group leased Office Units Nos. 3305 and 3306 with a total gross floor area of approximately 455.22 sq.m. from Kwok Chun Wai, a connected party to the Company, for a term from June 1, 2009 to May 31, 2011 at a monthly rental of RMB54,626.40.
3. The Group leased Office Unit No. 3301 with a gross floor area of approximately 204.93 sq.m. from Changda, an independent third party to the Company, for a term from May 1, 2009 to April 30, 2012 at a monthly rental of RMB19,468.
4. The Group leased Office Unit No. 3302 with a gross floor area of approximately 227.61 sq.m. from Zhang Yuting, an independent third party to the Company, for a term from May 1, 2009 to April 30, 2012 at a monthly rental of RMB21,623.
5. The Group leased Office Unit No. 3307 with a gross floor area of approximately 244.18 sq.m. from Kwok Ying Shing, a connected party to the Company, for a term from September 1, 2009 to August 31, 2011 at a monthly rental of RMB29,301.60.

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PROPERTY VALUATION REPORT

6. The Group leased Office Unit No. 3308 with a gross floor area of approximately 212.98 sq.m. from Kwok Ying Shing, a connected party to the Company, for a term from September 1, 2009 to August 31, 2011 at a monthly rental of RMB25,557.60.
7. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - (i) the tenancy agreements are legal, valid and binding on the parties thereto;
 - (ii) the tenancy agreements have been registered; and
 - (iii) the property is prescribed for office use.

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No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
47.	Office Units Nos. 3710, 3715 and 3716 of Metro Plaza, Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong Province, PRC	The property comprises three office units on Level 37 of a 48-storey commercial building completed in 1996. The property has a total gross floor area of approximately 220.15 sq.m. (2,370 sq.ft.). The property is leased to the Group from Prime Yield Holdings Limited (泰怡集團有限公司) (“Prime Yield”) under three separate tenancy agreements both for terms of 2 years at a total monthly rental of RMB15,000 exclusive of management fees (Please refer to Note 2 for tenancy details).	The property is occupied by the Group for office use.	No commercial value

Notes:

1. As advised by the Company, Prime Yield Holdings Limited (泰怡集團有限公司) (“Prime Yield”) is owned by Year Up Investment Limited (99%) (“Year Up”) and Mr. Kwok Chun Wai (1%). Year Up is wholly-owned by Mr. Kwok Chun Wai. Prime Yield is an associate of Mr. Kwok Chun Wai and he is a connected person of the Company.
2. The property is currently subject to three tenancy agreements and tenancy details are as follows:
 - i. Office Unit No. 3710 is leased for a term commencing from March 15 2009 to March 14, 2011 at a monthly rental of RMB5,000;
 - ii. Office Unit No. 3715 is leased for a term commencing from August 27, 2007 to August 26, 2010 at a monthly rental of RMB5,000; and
 - iii. Office Unit No. 3716 is leased for a term commencing from May 18, 2009 to May 17, 2011 at a monthly rental of RMB5,000.

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PROPERTY VALUATION REPORT

3. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the tenancy agreements are legal, valid and binding on the parties thereto;
 - ii. the tenancy agreements have been registered; and
 - iii. the property is prescribed for non-residential use.

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PROPERTY VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
48.	Levels 1 and 2, No. 1 Fuda Commercial/ Residential Building, No. 5017 Nanwan Nan Road, Wanzai Town, Xiangzhou District, Zhuhai, Guangdong Province, PRC	The property comprises two commercial floors namely Levels 1 and 2 of a 7-storey commercial/residential building completed in 1992. The property has a total gross floor area of approximately 700.00 sq.m. (7,535 sq.ft.). The property is leased to the Group from Zhuhai Zhongfu Industry Group Co., Ltd. (珠海市中富工業集團有限公司), an independent third party, for a term of 6 months from July 1, 2009 to December 31, 2009 at a monthly rental of RMB21,952.	The property is occupied by the Group for office use.	No commercial value

Note:

We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- (i) the tenancy agreement is legal, valid and binding on the parties thereto. The said tenancy agreement has not been registered. Since tenancy registration system has not yet been implemented in Zhuhai, non-registration will not affect the validity of such tenancy agreement; and
- (ii) the property is prescribed for commercial/residential use.

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PROPERTY VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
49.	Room Nos. 1001, 1002 and 1006 of Jinying Building, Shenghe Road, Nancheng District, Dongguan, Guangdong Province, PRC	The property comprises three office units on Level 10 of a 16-storey commercial building completed in 1998. The property has a total gross floor area of approximately 588.00 sq.m. (6,329 sq.ft.). The property is leased to the Group from Dongguan Jinying Property Investment Co., Ltd. (東莞市金盈房地產投資有限公司), an independent third party, under two separate tenancy agreements at a total monthly rental of RMB22,904. The terms of the tenancies all commenced on November 1, 2008 and will expire on October 31, 2010.	The property is occupied by the Group for office use.	No commercial value

Note:

We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- (i) the tenancy agreements are legal, valid and binding on the parties thereto;
- (ii) the tenancy agreements have been registered; and
- (iii) the property is prescribed for office use.

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PROPERTY VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
50.	Room No. B1801, Block B of Patrons International Building, Jiangbei, No. 16 Sub-district Huizhou, Guangdong Province, PRC	The property comprises an office unit on Level 18 of a 27-storey commercial building completed in 2004. The property has a gross floor area of approximately 532.36 sq.m. (5,730 sq.ft.). The property is leased to the Group from Huizhou Hanji Property Development Co., Ltd. (惠州漢基房地產開發有限公司), an independent third party, for a term of 3 years and 2 months from January 1, 2007 to February 28, 2010 at a monthly rental of RMB22,000.	The property is occupied by the Group for office use.	No commercial value

Note:

We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- (i) the tenancy agreement is legal, valid and binding on the parties thereto;
- (ii) the tenancy agreement has been registered; and
- (iii) the property is prescribed for office use.

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No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
51.	Room Nos. 1901A, 1908, 1907, 1906 and 1905 of Chengdu Shangri-La Office Building, No. 9 Binjiang East Road, Chengdu, Sichuan Province, PRC	The property comprises five office units on Level 19 of a 30-storey, commercial building completed in 2007. The property has a total gross floor area of approximately 784.90 sq.m. (8,449 sq.ft.). The property is leased to the Group from 香格里拉大酒店(成都)有限公司 (Shangri-La Hotel (Chengdu) Co., Ltd.), an independent third party, for a term of 3 years from November 15, 2007 to November 14, 2010 at a monthly rental of RMB102,037.	The property is occupied by the Group for office use.	No commercial value

Note:

We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- (i) the tenancy agreement is legal, valid and binding on the parties thereto;
- (ii) the tenancy agreement has been registered; and
- (iii) the property is prescribed for office use.

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No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
52.	Office Unit No. 2605 of Metro Plaza, Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong Province, PRC	The property comprises an office unit on Level 26 of a 48-storey commercial building completed in 1996. The property has a gross floor area of approximately 126.00 sq.m. (1,356 sq.ft.). The property is leased to the Group from Ms. Wong Wei Na, an independent third party, for a term of 1 year from November 16, 2008 to November 15, 2009 at a monthly rental of RMB15,750 exclusive of management fees.	The property is occupied by the Group for office use.	No commercial value

Note:

We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- (i) the tenancy agreement is legal, valid and binding on the parties thereto;
- (ii) the tenancy agreement has been registered; and
- (iii) the property is prescribed for non-residential use.

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No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
53.	Room No. 03 on Level 12, Main Tower of Zhen Dan International Building, No. 99 Fucheng Road, New Pudong District, Shanghai, PRC	The property comprises an office unit on Level 12 of a 37-storey commercial building erected on a 3-level basement car park completed in 2003. The property has a gross floor area of approximately 624.43 sq.m. (6,721 sq.ft.) The property is leased to the Group from 震旦國際大樓(上海)有限公司 (Zhen Dan International Building (Shanghai) Co., Ltd.), an independent third party, for a term of 3 years from January 5, 2008 to January 4, 2011 at a monthly rental of RMB180,434.	The property is occupied by the Group for office use.	No commercial value

Note:

We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- (i) the tenancy agreement is legal, valid and binding on the parties thereto;
- (ii) the tenancy agreement has not been registered; and
- (iii) the property is prescribed for commercial/office use.

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No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
54.	An office unit on Level 19 of Jiangyin Hongsheng Commercial Building, No. 289-2 Renmin Middle Road, Jiangyin, Jiangsu Province, PRC	The property comprises an office unit on Level 19 of a commercial development comprising a 23-storey office tower and a 22-storey hotel tower over mounting a 5-level basement for retail use completed in 2005. The property has a gross floor area of approximately 460 sq.m. (4,951 sq.ft.) The property is leased to the Group from 江陰泓昇有限公司 (Jiangyin Hongsheng Co., Ltd.), an independent third party, for a term of 3 years from the delivery of the property at an annual rental of RMB175,315 for the first year and RMB220,368.75 for each of the remaining two years.	The property is occupied by the Group for office use.	No commercial value

Note:

We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- (i) the tenancy agreement is legal, valid and binding on the parties thereto;
- (ii) the tenancy agreement has been registered; and
- (iii) the property is prescribed for non-residential use.

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PROPERTY VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
55.	Room No. 2405 on Level 24 of North Tower, Yunda International Plaza, No. 478 Furong Middle Road Yi Duan, Changsha, Hunan Province, PRC	The property comprises a office unit on Level 24 of a 29-storey commercial building plus a 3-level basement car park completed in 2007. The property has a total gross floor area of approximately 359.99 sq.m. (3,875 sq.ft.) The property is leased to the Group from Mr. Duan li Xin, an independent third party, for a term of approximately 5 years from April 1, 2009 to April 30, 2014 at a total annual rental of RMB340,691.	The property is occupied by the Group for office use.	No commercial value

Note:

We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:

- (i) the tenancy agreement is legal, valid and binding on the parties thereto;
- (ii) the tenancy agreement has been registered; and
- (iii) the property is prescribed for office use.

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No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
56.	Office No. 12 on Level 10, Office Tower W1 of The Towers, Oriental Plaza, No. 1 East Chang An Avenue, Beijing, PRC	The property comprises an office unit on Level 10 of a 21-storey office tower completed in 2007. The property has a gross floor area of approximately 198 sq.m. (2,131 sq.ft.). The property is leased to the Group from 北京東方廣場有限公司 (Beijing Dongfang Plaza Co., Ltd.), an independent third party, for a term of 2 years from August 1, 2009 to July 31, 2011 at a monthly rental of RMB36,070.	The property is occupied by the Group for office use.	No commercial value

Note:

We have been provided with a legal opinion regarding the title to the property issued by the Group’s legal adviser, which contains, inter-alia, the following information:

- i. the tenancy agreement is legal, valid and binding on the parties thereto;
- ii. the tenancy is in the course of applying for registration and non-completion of registration will not affect the validity of the tenancy agreement; and
- iii. the property is prescribed for non-residential use.

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PROPERTY VALUATION REPORT

Group VII — Property interest rented by the Group in Hong Kong

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2009
57.	Suites 2001 and 2015–2016 on 20th Floor, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong	The property comprises three office units on 20th Floor of an 88-storey commercial building completed in about 2003. The total lettable area of the property is approximately 406.91 sq.m. (4,380 sq.ft.). The property is leased to the Group from MTR Corporation Limited and IFC Development Limited, independent third parties, for a term expiring on 27 July 2011 at a monthly rental of HK\$586,793.	The property is occupied by the Group for office use.	No commercial value

Note:

The property is leased to Kaisa Group Holdings Ltd.

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PROPERTY VALUATION REPORT

Group VIII — Property interests contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009																		
58.	Fenglong Center located at Shennan Avenue, Futian District, Shenzhen, Guangdong Province, PRC	The property is a commercial development, namely Fenglong Center (the “Development”), to be developed on a parcel of land with a site area of approximately 14,411.10 sq.m. (155,121 sq.ft.). According to the provided information, the property is to be developed with a total gross floor area of approximately 142,000.00 sq.m. (1,528,488 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Retail and Dinning Area</td><td>30,000.00</td><td>322,920</td></tr><tr><td>Office</td><td>100,000.00</td><td>1,076,400</td></tr><tr><td>Car parks</td><td><u>12,000.00</u></td><td><u>129,168</u></td></tr><tr><td>Total</td><td><u><u>142,000.00</u></u></td><td><u><u>1,528,488</u></u></td></tr></table> The land use rights of the property have been contracted to be granted for a term of 50 years commencing on July 1, 1996 and expiring on July 1, 2046 for commercial and office uses.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Retail and Dinning Area	30,000.00	322,920	Office	100,000.00	1,076,400	Car parks	<u>12,000.00</u>	<u>129,168</u>	Total	<u><u>142,000.00</u></u>	<u><u>1,528,488</u></u>	As at the Valuation Date, the existing buildings and structures on the site were in the process of demolition.	No commercial value
Use	Gross Floor Area																					
	(sq.m.)	(sq.ft.)																				
Retail and Dinning Area	30,000.00	322,920																				
Office	100,000.00	1,076,400																				
Car parks	<u>12,000.00</u>	<u>129,168</u>																				
Total	<u><u>142,000.00</u></u>	<u><u>1,528,488</u></u>																				

Notes:

- Pursuant to State-owned Land Use Rights Grant Contract entered into between Fenglong Group Co., Ltd. (豐隆集團有限公司) (“Fenglong Group”) (“Party A”), (88.5%), 55% equity interest held by the Company, Shenzhen City Construction Development (Group) Co., Ltd. (深圳市城市建設開發(集團)公司) (“Shenzhen Chengjian”) (“Party B”) (11.5%) and Shenzhen Planning and Land Bureau (“Party C”) on August 1, 1996, Party C agreed to grant the land use rights of the property with a site area of approximately 14,411.10 sq.m. to

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Parties A and B for a term of 50 years commencing on July 1, 1996 and expiring on July 1, 2046 for commercial and office uses at a consideration of RMB66,867,256 exclusive of demolition and relocation fee.

2. As advised by the Company, there was an estimated outstanding demolition fee of approximately RMB38,000,000 to be payable as at the Valuation Date.
3. According to Demolition and Relocation Permit No. Chai Xu Zi (2009) Di 029 issued by Committee of Planning, Land and Resources of Shenzhen Municipality on October 19, 2009, the demolition period was approved to commence on October 19, 2009 and shall expire on October 18, 2010.
4. Had the Group obtained the State-owned Land Use Certificate for the property and demolition and relocation fee and land premium had been fully settled as at September 30, 2009, the capital value of the property was estimated to be RMB1,554,800,000.
5. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. since the State-owned Land Use Rights Grant Contract referred to in Note 1. above does not prescribe a time to complete the construction works nor an expiry date and there has been no circumstance leading to the rescission, termination or invalidation of the contract, the contract is legal, valid and legally binding on the parties thereto;
 - ii. the land premium of the property has been fully settled. Upon completion of the demolition and relocation work in accordance with applicable laws, there is no legal impediment for Fenglong Group and Shenzhen Chengjian to obtain the State-owned Land Use Certificate of the property; and
 - iii. according to 深圳市房地產查封(備案)表 (Shenzhen Real Estate Seizure (Archival) Schedule), portion of the buildings of the property with a total gross floor area of approximately 125,693.8 sq.m. is seized by the Shenzhen Intermediate People’s Court. Fenglong Group and Shenzhen Chengjian have no right to transfer or by other means dispose of such portion of the property.

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PROPERTY VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009															
59.	Yantian located at Fengshen Avenue, Fenggang Town, Dongguan, Guangdong Province, PRC	The property is a large-scale residential and commercial development, namely Yantian (the “Development”), proposed to be developed on a parcel of land with a site area of approximately 54,548.00 sq.m. (587,155 sq.ft.) According to the provided information, the property is to be developed with a total gross floor area of approximately 136,370.00 sq.m. (1,467,886 sq.ft.), the breakdown of which is as follows: <table><tr><th>Use</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>(sq.m.)</th><th>(sq.ft.)</th></tr><tr><td>Residential</td><td>109,096.00</td><td>1,174,309</td></tr><tr><td>Commercial</td><td><u>27,274.00</u></td><td><u>293,577</u></td></tr><tr><td>Total</td><td><u><u>136,370.00</u></u></td><td><u><u>1,467,886</u></u></td></tr></table> The land use rights of the property have been contracted to be granted for a term of 70 years for commercial and residential uses.	Use	Gross Floor Area			(sq.m.)	(sq.ft.)	Residential	109,096.00	1,174,309	Commercial	<u>27,274.00</u>	<u>293,577</u>	Total	<u><u>136,370.00</u></u>	<u><u>1,467,886</u></u>	The property is currently a vacant site.	No commercial value
Use	Gross Floor Area																		
	(sq.m.)	(sq.ft.)																	
Residential	109,096.00	1,174,309																	
Commercial	<u>27,274.00</u>	<u>293,577</u>																	
Total	<u><u>136,370.00</u></u>	<u><u>1,467,886</u></u>																	

Notes:

- Pursuant to State-owned Land Use Rights Grant Contract entered into between Dongguan Land Resources Bureau (“Dongguan Bureau”) and Dongguan Yingyan Property Development Co., Ltd. (東莞市盈雁房地產開發有限公司) (“Dongguan Yingyan”), a 80%-owned subsidiary of Dongguan Kaisa Property in September 2008, the land use rights of the property with a site area of approximately 54,548.00 sq.m. have been contracted to be granted to Dongguan Yingyan for a term of 70 years for commercial and residential uses at a total consideration of RMB147,300,000.

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Pursuant to the Supplemental Agreement of the State-owned Land Use Rights Grant Contract dated September 2, 2008, both Dongguan Bureau and Dongguan Yingyan agreed that the development is to be completed before December 2, 2011 for application for completion examination.

2. Pursuant to 《關於同意2008G028地塊申請延期交付土地出讓金和免收滯納金的覆函》 (Approval on the Application for Defer Payment of the Land Premium and Exemption from the payment of Penalty for the Land Lot No. 2008G028) issued by the People’s Government of Dongguan, Dongguan Yingyan is allowed to defer payment of the land premium until December 2, 2009 and is exempted from paying late payment penalty.
3. As advised by the Company, there was an outstanding land premium of RMB127,300,000 of the property as at the Valuation Date.
4. Had the Group obtained Stated-owned Land Use Certificate for the property and land premium had been fully settled as at September 30, 2009, the capital value of the property was estimated to be RMB234,500,000.
5. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the State-owned Land Use Rights Grant Contract and its supplemental agreement mentioned in Note 1. are legal, valid and binding on the parties thereto; and
 - ii. upon payment of the land premium in accordance with the approval referred to in Note 2. above, there is no legal impediment for Dongguan Yingyan to obtain the State-owned Land Use Certificate for the property.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
60.	A parcel of land located at No. 99 Jiang Nan Avenue Central, Haizhu District, Guangzhou, Guangdong Province, PRC	The property comprises a parcel of land with a site area of approximately 8,579.00 sq.m. (92,344 sq.ft.) on which a residential development is proposed to be built. According to the provided information, the property is to be developed with a total gross floor area of approximately 53,809.00 sq.m. (579,200 sq.ft.). The land use rights of the property have been contracted to be granted for a term of 70 years for ordinary commodity residential use.	The property is currently a vacant site.	No commercial value

Notes:

- Pursuant to State-owned Land Use Rights Grant Contract No. 440104-2009-000003 entered into between Guangzhou Land Resources and Housing Management Bureau and Guangdong Kaisa Property Development Co., Ltd. (廣東佳兆業房地產開發有限公司) (“Guangdong Kaisa Property”), a wholly-owned subsidiary of the Company, on May 26, 2009, the land use rights of the property with a site area of approximately 8,579.00 sq.m. for ordinary commodity residential use have been contracted to be granted to Guangdong Kaisa Property at a consideration of RMB318,000,000.
- As advised by the Company, there was an outstanding land premium of RMB 95,400,000 to be paid as at the Valuation Date.
- Had the Group obtained State-owned Land Use Certificate for the property and land premium had been fully settled as at September 30, 2009, the capital value of the property was estimated to be RMB496,000,000.
- We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, inter alia, the following information:
 - the State-owned Land Use Rights Grant Contract mentioned in Note 1. above is legal, valid and binding on the parties thereto; and
 - the first instalment of the land premium of the property has been settled. Upon payment of the second instalment of the land premium in accordance with the State-owned Land Use Rights Grant Contract referred to in Note 1. above, there is no legal impediment for Guangdong Kaisa Property to obtain the State-owned Land Use Certificate for the property.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2009
61.	Three parcels of land located at East of Lake View Place, South of Mingxian Road, West of Dongwai Huang Road and North of Renmin Dong Road, Chengjiang Village, Jiangyin, Jiangsu Province, PRC	The property comprises three parcels of land with a total site area of approximately 158,240.00 sq.m. (1,703,295 sq.ft.) on which a residential and commercial development is proposed to be built. According to the provided information, the property is to be developed with a total gross floor area of approximately 465,990.00 sq.m. (5,015,916 sq.ft.). The land use rights of the property have been agreed to be granted for terms of 40 years for commercial use and 70 years for residential use and for commercial and residential, commercial and residential and commercial (commercial-office complex and tourism) uses respectively.	The property is currently a vacant site.	No commercial value

Notes:

1. Pursuant to 《國有建設用地使用權掛牌出讓成交確認書》(澄國土確字 (2009) 42號) (Listing-for-sale Transaction Confirmation Letter for the State-owned Construction Land Use Rights No. Cheng Guo Tu Que Zi (2009) 42) (“Transaction Confirmation”) entered into between Jiangyin Land Resources and Housing Management Bureau and Shenzhen Kaisa Property on September 18, 2009, the land use rights of three parcels of land with a total site area of approximately 158,240 sq.m. for commercial and residential, commercial and residential and commercial (commercial-office complex and tourism) uses respectively have been contracted to be granted to Shenzhen Kaisa Property at a consideration of RMB365,300,000.
2. As advised by the Company, there was an outstanding land premium of RMB272,400,000 to be paid as at the Valuation Date.
3. Had the Group obtained State-owned Land Use Certificate for the property and land premium had been settled as at September 30, 2009, the capital value of the property was estimated to be RMB1,056,400,000.

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4. We have been provided with a legal opinion regarding the title to the property issued by the Group’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. the Transaction Confirmation mentioned in Note 1. above is legal, valid and binding on the parties thereto; and
 - ii. upon full settlement of the land premium in accordance with the Transaction Confirmation mentioned in Note 1. above, there is no legal impediment for Shenzhen Kaisa Property to obtain the State-owned Land Use Certificate for the property.

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SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE

According to the “Law of the People’s Republic of China on Administration of Urban Real Estate” (中華人民共和國城市房地產管理法) (the “Urban Real Estate Administration Law”) promulgated by the Standing Committee of the National People’s Congress, effective in January 1995, as amended in August 2007, a real estate developer is defined as an enterprise that engages in the development and sale of real estate for the purpose of making profits. Under the “Regulations on Administration of Development of Urban Real Estate” (城市房地產開發經營管理條例) promulgated by the State Council in July 1998 (the “Development Regulations”), an enterprise that is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

Pursuant to the “Regulations on Real Estate Development of Guangdong Province” (廣東省房地產開發經營條例), revised by the Standing Committee of Guangdong Provincial People’s Congress and enforced on October 16, 1997, the self-owned current capital of a real estate development enterprise in the Guangdong Province shall not be less than RMB3 million, and real estate development enterprises with different qualification classifications should accord to their respective requirements of full-time professional technicians.

Pursuant to the “Regulations on Urban Real Estate Development of Hunan Province” (湖南省城市房地產開發經營管理辦法), enacted by the People’s Government of Hunan Province on April 12, 2006 and enforced on June 1, 2006, the registered capital of a real estate development enterprise in Hunan Province shall not be less than RMB4 million, and real estate development enterprises with different qualification classification should satisfy their respective requirements of full-time professional technicians.

Under the “Provisions on Administration of Qualifications of Real Estate Developers” (房地產開發企業資質管理規定) promulgated by the MOC in March 2000, to establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign invested enterprises and apply for approvals relating to foreign investments in China.

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Under the “Foreign Investment Industrial Guidance Catalogue” (外商投資產業指導目錄) promulgated by the MOFCOM and the NDRC in November 2004,

- the development and construction of ordinary residential units falls within the category of industries in which foreign investment is encouraged,
- the development of a whole land lot, the construction and operation of high end hotels, villas, premium office buildings, international conference centers and large theme parks falls within the category of industries in which foreign investment is subject to restrictions,
- other real estate development falls within the category of industries in which foreign investment is permitted.

On October 31, 2007, the MOFCOM and the NDRC jointly issued the new Foreign Investment Industrial Guidance Catalogue effective on December 1, 2007, under which the development and construction of ordinary residential units is removed from the category of industry that foreign investment is encouraged to the category of industry in which foreign investment is permitted, whereas the secondary market transactions in property sector, and property intermediaries or agents will fall within the category of industry that foreign investment is subject to restrictions.

Subject to approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and sale of real estate in China may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise by the foreign investor in accordance with the PRC laws and administrative regulations regarding foreign-invested enterprises.

Under the “Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries” (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council in April 2004, the portion of capital fund of real estate projects (excluding affordable housing projects) has been increased from 20% or above to 35% or above.

In response to the global financial crisis and in an effort to expand domestic demand, the State Council issued a notice for “Adjusting the Portion of Capital for Fixed Assets Investment” 《國務院關於調整固定資產投資項目資本金比例的通知》 in May 2009. Under the notice, the capital ratio for government subsidized housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital ratio for other properties is adjusted from 35% to 30%.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the “Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market” (關於規範房地產市場外資准入和管理的意見). According to this circular, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- (i) Foreign institutions or individuals who buy property not for their own use in China should follow the principle of “commerce existence” and apply for the establishment of foreign-invested enterprises pursuant to the regulations of foreign investment in property. After

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obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope.

- (ii) Where the total investment amount of a foreign-invested property enterprise is US\$10 million or more, its registered capital shall be no less than 50% of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital shall follow the requirements of the existing regulations.
- (iii) For establishment of a FIREE, the commerce authorities and the administration for industry and commerce shall be responsible of the approval and registration of the FIREE and the issuance of a temporary approval certificate for a foreign-invested enterprise (which is only effective for one year) and a temporary business license. Upon full payment of the land grant fee for the land-use rights, the foreign-invested property enterprise should apply for the “Certificate of Land-Use Rights.” With such Certificate of Land-Use Rights, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and a formal business license which the same approved business term as the formal Approval Certificate for Foreign-Invested Enterprise.
- (iv) Transfer of projects or equity interests in FIREEs or acquisitions of domestic property enterprises by foreign investors should strictly follow the relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (a) a written undertaking of fulfillment of the “State-owned land-use rights Grant Contract, “Construction Land Planning Permit” and “Construction Work Planning Permit”; (b) “Certificate of Land-Use Rights”; (c) documents evidencing the filing for modification with the construction authorities; and d) documents evidencing the payment of tax from the relevant tax authorities.
- (v) When acquiring domestic property enterprises by way of shares transfer or otherwise or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, with unsound financial track records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, the General Office of MOFCOM enacted the “Notice on Relevant Issues Concerning the Carrying out Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market” (關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知). According to the notice, if the total investment of a FIREE exceeds US\$3 million, the registered capital must not be less than 50% of the total investment; if the total investment is less than or equal to US\$3 million, the registered capital must not be less than 70% of the total investment. When a foreign investor who merges with or acquire a domestic property development enterprise by acquiring equity from other Chinese shareholders of a FIREE or by other means, the original employees of the merged companies must be arranged properly, bank debts must be settled and the entire consideration for the transfer must be paid off within three months after the earlier of the issuance of the business license or the effective date of the equity transfer agreement.

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On May 23, 2007, the MOFCOM and the SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC” (關於進一步加強、規範外商直接投資房地產審批和監管的通知) which made the following requirements for approval and supervision of foreign investment in real estate:

- foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;
- before obtaining approval for the setup of FIREEs, (i) both the land use right certificates and housing ownership right certificates should be obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should be entered into;
- existing foreign invested enterprises need to obtain approval before they expand their business operations into the real estate sector and existing FIREEs need to obtain new approval in case they expand their real estate business operations;
- acquisitions of domestic real estate enterprises and foreign investment in real estate sector in a way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to real estate enterprises with foreign investment should not in any way guarantee a fixed investment return;
- registration shall be immediately effected according to applicable laws with the MOFCOM regarding to the setup of FIREEs approved by local governmental authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those which fail to file with the MOFCOM or fail to pass the annual reviews; and
- for those FIREEs, which are wrongfully approved by local authorities for their setups, (i) the MOFCOM should carry out investigation, order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out for them foreign exchange registrations.

On July 10, 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 Property Registered with the MOFCOM” (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). The notice stipulates, among other things:

- that the SAFE will no longer process foreign debt registration or application for purchase of foreign exchange for real estate enterprises with foreign investment that obtained authorization certificate from and registered with the MOFCOM on or after June 1, 2007; and

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- that the SAFE will no longer process foreign exchange registration (or change of such registration) or application for sale and purchase of foreign exchange under capital account for real estate enterprises with foreign investment that obtained approval certificates from local government’s commerce department on or after June 1, 2007 but have not registered with the MOFCOM.

On June 18, 2008, the MOFCOM issued the Notice on Properly Archiving the Filings for Foreign Investment in Real Estate Sector (關於做好外商投資房地產業備案工作的通知). According to the notice, since July 1, 2008, the MOFCOM entrusts its provincial level branches to review the filing materials with respect to FIREEs and check and confirm the legality, authenticity and accuracy of the materials. The MOFCOM will archive the filing after receiving the archival form duly completed and submitted by the provincial level branches. The notice also requires that the establishment (including the increase of registered capital) of a FIREE shall comply with the project company principle of engaging in one approved real estate project only.

QUALIFICATIONS OF A REAL ESTATE DEVELOPER

Under the “Provisions on Administration of Qualifications of Real Estate Developers” (房地產開發企業資質管理規定) (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction in March 2000, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- Class 2 or lower qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters subject to confirmation by the construction authorities at the provincial level.

Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employment, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

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For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer should be subject to annual inspection. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual inspection of a class 1 real estate developer's qualification. Procedures for annual inspection of developers of a class 2 or lower qualification shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Under the “Regulations on Urban Real Estate Development of Hunan Province” (湖南省城市房地產開發經營管理辦法), the qualifications of property development enterprises are classified into class 1, class 2, class 3, class 4 and provisional qualification. The class 1 qualification shall be subject to preliminary assessment by the property development authority under the people's government of the province and final approval by the Ministry of Construction; Classes 2, 3 and 4 and the provisional qualifications shall be approved by the property development authority under the people's government of the province. For classes 3 and 4 and the provisional qualification, the property development authority under the people's government of the province can entrust the property development authority under the people's government of the cities with district divisions and autonomous prefecture to approve the qualifications and report to the relevant people's governments of the province. The qualification certificate is valid for three years. The provisional qualification certificate is valid for one year. The property development authority can extend the validity period of provisional qualification certificate for not more than two years after considering the actual business situation of the enterprise.

Under the Regulations on Urban Real Estate Development of Hunan Province, the gross floor area of a project to be developed by a class 1 property developer is not restricted. The gross floor area of project to be developed by a class 2 property developer should be no more than 250,000 sq.m. A class 3 property developer may undertake a project with a gross floor area of no more than 150,000 sq.m. The gross floor area of project to be developed by a property developer of class 4 and with provisional qualification should be no more than 50,000 sq.m.

DEVELOPMENT OF A REAL ESTATE PROJECT

i. Commencement of development with respect to a property project and the idle land

Under the new Foreign Investment Industrial Guidance Catalogue promulgated by MOFCOM and the NDRC on October 31, 2007, foreign investments are restricted in the development of a whole land lot and construction, operation, transacting in the secondary real estate market and acting as real estate intermediaries or agents of high-quality hotels, houses, premium office buildings, international conference centers and large theme parks in China; and foreign investments are permitted in other real estate developments. According to the Interim Provisions on Approving Foreign Investment Project promulgated by the NDRC in October 2004, approval of the NDRC is required for foreign investment

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projects with total investment of US\$100 million or more within the category of encouraged or permitted foreign investments and those with total investment of US\$50 million or more within the category of foreign investments subject to restrictions. Other foreign investments in China will require only local approval. Specifically, the local authorities may examine and approve foreign investment projects with total investment less than US\$100 million within the category of encouraged or permitted foreign investments and those with total investment less than US\$50 million within the category of foreign investments subject to restrictions.

Under the Interim Regulations of the People’s Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land (the “Interim Regulations on Grant and Assignment”) (中華人民共和國土地出讓和轉讓暫行條例) (出讓和轉讓暫行條例) promulgated by the State Council in May 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Urban Real Estate Law (城市房地產管理法) and the Interim Regulations on Grant and Assignment (出讓和轉讓暫行條例), the land administration authority at the city or county level may enter into a land use rights grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Urban Real Estate Law and the Development Regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Land (建設用地審查報批管理辦法) promulgated by the Ministry of Land and Resources in March 1999 and the Measures for Administration of Preliminary Examination of Construction Project Land (建設項目用地預審管理辦法) promulgated by the Ministry of Land and Resources in July 2001, as amended in October 2004 and November 2008. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land use rights grant contract with the land user and issue an approval for the construction land to the construction entity or the developer.

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Under the Urban Real Estate Administration Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the land-use right assignment. According to the “Measures on the Disposal of Idle Land” (閑置土地處置辦法) promulgated by the MLR on April 28, 1999, a parcel of land can be defined as idle land under any of the following circumstances:

- after obtaining the land-use rights, the development and construction of the land has not begun within the time limit for commencement of the development as stipulated without the consent of the people’s government that originally approved the use of the land;
- the Contract for the Use of State-Owned Land or the Approval Letter on Construction Land does not prescribe the date of starting the development and construction, and the development and construction of the land has not begun at the expiry of one year from the day when the Contract for the Use of State-owned Land became effective or when the land authorities issued the “Approval Letter on Construction Land”;
- the development and construction of the land has begun, but the area developed and constructed is less than one third of the total area to be developed and the invested amount is less than 25% of the total amount of investment, and development and construction has been continuously suspended for one year without approval; or
- other circumstances prescribed by laws and administrative regulations.

The municipality or county-level municipality administrative authority shall, with regard to an identified piece of idle land, give notice to the land user and draft a proposal on disposing the idle land, including, but not limited to, extending the time period for development and construction (provided that it shall be no longer than one year), changing the use of the land, arranging for temporary use and ascertaining the new land user by competitive bidding, public auction or listing-for-sale. The administrative department of land under the people’s government of municipality or county level shall, after the people’s government that originally approved the use of the land approves the proposal on disposal, arrange for the implementation of the proposal. With respect to land which is obtained by assignment and is within the scope of city planning, if the construction work has not yet started after one year from the granting of the relevant approvals, since the duration in which construction may be commenced has elapsed, a fine for idle land which is equivalent to less than 20% of the assignment price may be imposed on the land user. If the construction work has not begun after two years have elapsed, the right to use the land can be taken back by the State without any compensation. However, the above sanctions shall not apply when the delay in commencement of construction is caused by force majeure or acts of government or indispensable preliminary work before commencement of construction.

On January 3, 2008, the State Council issued a “Notice on Promoting the Economic Use of Land” (關於促進節約集約用地的通知) with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice calls for the full and effective use of existing construction land and the preservation of farm land. The notice also emphasizes the enforcement of the current rules on assessing idle land fees at a rate equal to 20% of the land premium for any land left idle for over one year but less than two years. The notice also establishes an additional land premium surcharges on idle land and authorizes the Ministry of Land and Resources to formulate regulations to implement such

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surcharges. The notice further urges financial institutions to exercise caution when they process loan applications from property developers that have failed to commence construction, to complete development of at least one-third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice indicates that the relevant governmental authorities will formulate and issue additional rules and regulations on these matters.

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 above rules on idle land.

ii. Planning of a property project

According to the “City Planning Law of the People’s Republic of China” (中華人民共和國城市規劃法) promulgated by the Standing Committee of the NPC on December 26, 1989 and implemented on April 1, 1990, the “Measures for Administration of Planning of Assignment and Transfer of the Right to Use Urban State-owned Land” (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction on December 4, 1992 and implemented on January 1, 1993 and the “Notice of the Ministry of construction on Strengthening the Planning Administration of Assignment of the Land Use Right of State-owned Land” (建設部關於加強國有土地使用權出讓規劃管理工作的通知) promulgated and implemented by the Ministry of Construction on December 26, 2002, after signing the assignment contract, a property developer shall apply for a Position Paper of Construction Project’s Site Selection and a Construction Land Planning Permit from the city planning authority. After obtaining a Construction Land Planning Permit, a property developer shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a Construction Work Planning Permit from the city planning authority.

On October 28, 2007, the Standing Committee of the National People’s Congress promulgated the “Urban and Suburban Planning Law of the People’s Republic of China” (中華人民共和國城鄉規劃法), effective as of January 1, 2008, which abolished the City Planning Law. According to the Urban and Suburban Planning Law, construction projects other than those which need to be approved or permitted by relevant government authorities according to relevant laws and regulations and the land use rights is offered by allocation, need not apply for a Position Paper of Construction Project’s Site Selection. With regards to construction projects of which the land use rights is offered by assignment, the construction entity shall, after the entering into the contract for grant of land use rights, apply to the planning administration authorities at the municipal or county level for a Construction Land Planning Permit. Before the construction of buildings, structures, roads, pipelines and other construction projects, the construction entity or person shall apply to the planning administration authorities at the municipal or county level for a Construction Works Planning Permit.

iii. Demolishment and Resettlement

In accordance with the Regulations for the Administration of Demolishment and Removal of Urban Housing (城市房屋拆遷管理條例) promulgated by the State Council in June 2001, if demolition of existing structures and removal of existing residents on the construction site need to be conducted before commencement of construction of the real estate project contemplated, the developer may apply to the local municipal, district or county level government in the place where the real estate is located for a

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permit for demolition and removal. Upon approval, the local government will issue a demolition and removal permit and post a demolition and removal notice to inform the inhabitants of the area subject to demolition. The designated demolition and removal party must implement the demolition and removal within the area and period specified in the demolition and removal permit. If the demolition and removal party fails to complete the demolition and removal works within the permitted period, it may, within 15 days prior to the expiration of the permit for demolition and removal, apply to the original approval department in charge of demolition and removal for an extension.

During the demolition and removal period announced by the department in charge of demolition and removal, the demolition and removal party and the parties subject to demolition and removal will enter into a written agreement for compensation and resettlement in respect of the demolition and removal. If the demolition and removal party and the parties subject to demolition and removal cannot reach an agreement, any such party may apply to the original approval department in charge of the demolition and removal for a ruling. Such a ruling must be rendered within 30 days of the application. If any such party disagrees with the ruling, it may initiate proceedings in the People’s Court in China within three months from the date of delivery of the ruling. If the demolition and removal party has provided proper monetary compensation or proper replacement housing to the parties subject to demolition and removal, the demolition and removal may not be stopped during the course of the legal proceedings.

Compensation for demolition and removal may be effected by way of monetary compensation or exchange of property rights. If the monetary compensation method is used, the amount of compensation is assessed on the basis of the real estate market price determined by the location, uses and the gross floor area of the housing to be demolished. If property exchange or replacement is used, the demolition and removal party and the parties subject to demolition and removal will, on the basis of the location, uses and the gross floor area of the housing to be demolished and the housing offered for exchange or replacement, calculate the amount of compensation for the housing to be demolished, the price of the housing to be exchanged or replaced for the housing to be demolished, and work out the difference between the two. In addition to paying the demolition and removal compensation, the demolition and removal party will also pay removal allowance to the parties subject to demolition and removal including lessees of the property.

iv. Construction of a property project

When the construction site has been properly prepared and is ready for the commencement of construction works, the property developer shall apply for a Construction Permit from the construction authority under the local people’s government at the county level or above according to the “Measures for the Administration of Construction Permits for Construction Projects” (建築工程施工許可管理辦法) promulgated by the Ministry of Construction on October 15, 1999 and as amended and implemented on July 4, 2001.

According to the “Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects” (國務院辦公廳關於加強和規範新開工項目管理的通知) issued by the General Office of the State Council on November 17, 2007, before a project commences construction, it shall have satisfied certain conditions including, among others, complying with national industrial policy,

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development plan, land supply policy and market access standard, complying with and obtaining all approvals and procedures, complying with zoning plans, completing proper land use procedures and obtaining proper environmental valuation approvals and construction permit or report.

v. Completion of a property project

According to the “Regulation on the Quality Management of Construction Projects” (建設工程質量管理條例) promulgated and implemented by the State Council on January 30, 2000, the “Interim Measures for Reporting Administration of Acceptance Examination Upon Completion of Housing Construction Projects and Municipal Infrastructure” (房屋建築工程和市政基礎設施竣工驗收備案管理暫行辦法) promulgated by the Ministry of Construction in April 2000 and the “Interim Provisions on Acceptance Examination Upon Completion of Housing Construction Projects and Municipal Infrastructure” (房屋建築工程和市政基礎設施竣工驗收暫行規定) promulgated and enforced by the Ministry of Construction on June 30, 2000, upon completion of construction of a project, a property developer shall apply for the acceptance examination to the property development authority under the people’s government at the county level or above and report details of the acceptance examination, upon which a “Record of Acceptance Examination upon Project Completion” will be issued. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each completed phase.

In August 2008, the State Council issued the “Regulations on Energy Efficiency for Civil Buildings” (民用建築節能條例), which regulates energy consumption and utilization efficiency of civil buildings. According to this regulation, the design and construction of new buildings must meet the statutory criteria on energy efficiency for buildings. A project which fails to meet such criteria may not receive approval for commencement of construction or completion acceptance.

LAND FOR PROPERTY DEVELOPMENT

In April 1988, the National People’s Congress amended the PRC Constitution (中華人民共和國憲法) to permit the transfer of land use rights for value. And in December 1988, the National People’s Congress amended the Land Administration Law (土地管理法) to permit the transfer of land use rights for value. The acquisition of state-owned land use rights from relevant government authorities is commonly referred to as the primary market, and the acquisition of land use rights from entities which hold land use rights granted by relevant government authorities is commonly referred to as the secondary market.

Under current PRC laws and regulations on land administration, besides land acquisitions from secondary market, land for property development may be obtained by government grant. Under the “Rules on the Grant of State-owned Land Use Rights Through Public Tender, Auction and Listing-for-Sale” (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources in May 2002 and amended in September 2007, land for industrial use, commercial use, tourism, entertainment, commodity housing development and other operational use must be granted by public tender, auction or listing-for-sale. Under these regulations, the relevant land administration authority at city or county level, or the grantor, is responsible for preparing the public tender, auction or listing documents and must make an announcement 20 days prior to the day of public tender, auction or listing with respect to the particulars of the land parcel and the time and venue of the public tender,

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auction or listing. The grantor must also conduct a qualification verification of the bidding, auction and listing applicants, accept an open public auction to determine the winning tender or hold an auction to ascertain a winning bidder. The grantor and the winning tender or bidder will then enter into a confirmation followed by the execution of a contract for assignment of state-owned land use rights. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificate. Furthermore, land use rights certificate may not be issued in proportion to the land premium paid under the land-grant contract. Pursuant to the “Regulations on the Grant of Land Use Rights Through Tender and Auction in Shenzhen Special Economic Zone” (深圳經濟特區土地使用權招標、拍賣規定) promulgated by the People’s Government of Shenzhen on February 5, 1998, save as required by the laws and regulations, the following land use rights shall be granted through tender and auction: (I) residential use: (1) land used for villas, (2) land used for mutli-storey residential buildings, (3) land used for medium to high-rise residential buildings, (4) land for commercial and residential combined uses, and (5) land for office and apartment combined uses; (II) commercial use: (1) food and beverage, (2) land for commercial and office combined uses, (3) land used for the wholesale and retailing of merchandises, (4) land used for the wholesale and retailing of daily utilities, (5) land used for the wholesale and retailing of materials used for production, (6) land used for the operation of enterprises, (7) leisure and recreational uses; (III) use for petrol station; (IV) other land uses which the bid inviter or the auctioneer consider to be appropriate for granting the land by means of bidding or auction. The tender inviter or the auctioneer may, having taken into consideration of the market environment, grant the land use right for above land uses by bidding or auction. The bid winner and the winner of the auction shall undertake the construction in strict compliance with the requirements as stated in the land use rights grant contract for the land granted by bidding or auction and any alteration to the land use plan without prior approval is prohibited. Without the prior approval of the municipal planning authority, the municipal land resources authority is prohibited from altering the planning requirements as stated in the land use rights grant contract.

On March 6, 2001, the People’s Government of Shenzhen promulgated the “Regulations on Land Trade Market Administration of Shenzhen” (深圳市土地交易市場管理規定) which specifies the establishment of the land exchange market (centre) which will become the specialized place for land trading. It also sets out the details for the scope of lands to be granted or transferred through tender, auction or listing-for sale process in the exchange market, the functions and duties of the land exchange centre and the methods for land exchange and also states that co-operative housing project should be conducted in the exchange centre through tender, auction or listing-for-sale, except for returned land from rural land requisition.

On June 11, 2003, the Ministry of Land and Resources promulgated the “Regulation on Grant of State-owned Land Use Rights by Agreements” (協議出讓國有土地使用權規定), which provided that, other than through public tender, auction and listing-for-sale, land use rights may be granted via transfer agreements, and the land premium for the transfer agreements of the state-owned land use right shall not be lower than the benchmark land price.

On July 6, 2001, the People’s Government of Shenzhen promulgated the “Decisions on Reinforcement of Market-oriented Administration of Land to Further Stimulate and Regulate the Property Market” (關於加強土地市場化管理進一步搞活和規範房地產市場的決定), which specifies a series of measures for stimulating and regulating the property market of Shenzhen. These measures cover the specific scope of the grant of land by agreement and reduction of land price; the process of

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paying the market price for properties erected on land obtained by administrative allotment, historic land and land granted by agreement; recovery of idle land and levy of land idle fee; co-operative housing projects being deemed to be transfer of property; waiving of land appreciation fee on properties in the secondary and level-3 market, which was later reinstated in 2005; and raise of the pre-sale conditions for commodity houses, etc.

In September 2003, the Ministry of Land and Resources promulgated the “Notice on Strengthening the Land Supply Management and Promoting the Sustainable Sound Development of Real Estate Market” (關於加強土地供應管理促進房地產市場持續健康發展的通知) which provides that land supply for luxury commodity housing shall be strictly controlled. On May 30, 2006, the Ministry of Land and Resources promulgated an “Urgent Notice on Currently Strengthening Further Strict Land Management” (關於當前進一步從嚴土地管理的緊急通知) which provides that land grant for real estate development must be conducted via invitation for bids, auction and listing, and land supply for low to medium-priced and/or small to medium-sized ordinary commercial residential housing (including affordable housing) and for low-rental residential housing must be given priority, and land supply for low-density and/or large-sized residential housing shall be strictly restricted. In addition, the notice provides that land supply for new villa project shall be suspended.

On April 29, 2004, the General Office of the State Council issued the “Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land” (關於深入開展土地市場治理整頓嚴格土地管理的緊急通知), which restated the principle of farmland protection and the strict administration of the approval process for construction land.

On August 31, 2006, the State Council issued the “Notice on Issues Relating to Strengthening of Land Control” (關於加強土地調控有關問題的通知), which provides for the administration of receipt and disbursement of land premiums, tax policies modification relating to construction land, and establishment of a publicity system for price standards with respect to granted state-owned land use rights.

In March 2007, the National People’s Congress adopted the “Property Rights Law of the People’s Republic of China” (中華人民共和國物權法) (“Property Rights Law”), which became effective on October 1, 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, use such land use rights as equity contributions or collateral for financing. If the state reclaims the properties owned by entities or individuals, it must compensate the property owner in accordance with laws and regulations and protect the lawful rights and interests of the owners.

On September 30, 2007, the Ministry of Land and Resources issued Notice on Implementation of the State Council’s Certain Opinions on Resolving Difficulties in Housing of Urban Low-Income Family and Further Strengthening the Macro-control of Land Supply (關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知) to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economic housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the

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completion of land by property developers. Property developers shall develop their land according to the terms of the relevant land grant contract, and any violation thereof may restrict or prevent such property developers from participating in future land bidding. Generally, the development period of each parcel of land shall not exceed three years.

In order to control the land market and promote reasonable land utility, the Ministry of Land and Resources, Ministry of Finance and PBOC jointly promulgated the “Administration Measures on Land Reserve” (土地儲備管理辦法) on November 19, 2007, which regulates the land development and land reserve by land reserve entities, affiliates of the land and resources authorities at city or county level, before the land and resources authorities grant land use rights according to relevant laws and regulations. The enterprises shall be elected through public tender to conduct the preliminary land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling etc. according to applicable laws and regulations.

SALE OF COMMODITY PROPERTIES

Under the “Measures for Administration of Sale of Commodity Houses” (商品房銷售管理辦法) promulgated by the Ministry of Construction in April 2001, sale of commodity houses can include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the “Measures for Administration of Pre-sale of Commodity Buildings” (城市商品房預售管理辦法) promulgated by the Ministry of Construction in November 1995, as amended in August 2001 and July 2004, and the other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a presale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;
- a construction works planning permit and a construction works commencement permit have been properly obtained;
- the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been properly ascertained; and
- a pre-sale permit has been obtained through pre-sale registration.

Pursuant to the “Regulations on Transfer of Property of Shenzhen Special Economic Zone” (深圳經濟特區房地產轉讓條例) promulgated by the Standing Committee of the People’s Congress of Shenzhen on August 21, 1993 and amended on June 30, 1999, the following conditions shall be fulfilled for pre-sale of commodity properties by the property developer: (1) land use rights has been registered

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in accordance with relevant regulations and the property rights certificate has been obtained; (2) a Construction Works Planning Permit and Construction Works Commencement Permit have been obtained; (3) in addition to the full payment of land premium, the funds invested in the development of the construction shall represent 25% or above of the total investment in the budget of works and have been verified by a registered accountant; (4) a pre-sale payment escrow agreement has been signed by the property developer and financial institution; (5) the land use rights has not been mortgaged or has been released from mortgage.

Pursuant to the “Regulations on Property Development of Hunan Province” (湖南省城市房地產開發經營管理辦法), the following conditions shall be fulfilled for pre-sale of commodity properties in Hunan province: (a) the Land Use Rights Certificate, the Construction Works Planning Permit and the Construction Works Commencement Permit have been obtained; (b) the progress of high-rise construction projects has reached or has exceeded one-third of the design’s progress, the progress of other construction projects has reached or has exceeded one-half of the design’s progress; (c) the construction schedule and the date for completion and delivery have been determined.

Commodity buildings may be put to post-completion sale and delivery after they have passed the completion examination and satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the Real Estate Development Project Manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

According to the “Regulations on Administration of Development of Urban Property” (城市房地產開發經營管理條例) and the “Measures for Administration of Pre-sale of Commodity Properties” (城市商品房預售管理辦法), for the pre-sale of a commodity building, the developer shall sign a contract on the pre-sale of the commodity building with the purchaser. The developer shall, within 30 days of signing the contract, apply for registration and record of contract for pre-sale commodity building to the relevant administrative departments governing the property and land administration department of the municipal or county governments. Property administrative departments shall take the initiative to apply network information technology to gradually implement web-based registration of pre-sale contracts.

On May 9, 2005, the General Office of the State Council issued the “Circular on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices” (關於做好穩定住房價格工作的意見), which provided the following with respect to commodity property pre-sales and sales:

- The purchaser of a pre-sold commodity property is prohibited from transferring such property that is still under construction. Before a pre-sold commodity property is completed and delivered and the purchaser obtains the individual property ownership certificate, the property administrative department shall not give effect to any transfer of the commodity property. If there is discrepancy between the name of the applicant for property ownership and the name of the purchaser in the sales contract, the property ownership registration administration shall not record the application of property ownership; and
- A real name identification system shall be applied to house purchase and an immediate record filing network system for pre-sale contracts of commodity buildings shall be established.

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On July 6, 2006, the Ministry of Construction, NDRC, and SAIC jointly issued a “Notice on Reorganizing and Regulating Order in the Property Transactions” (關於進一步整頓規範房地產交易秩序的通知), the details of which are as follows:

- The developer should start to sell the commodity properties within 10 days after receiving the pre-sale permit. Without the pre-sale permit, the pre-sale of commodity properties (including reservation, subscription and number-selecting) and acceptance of any kind of pre-sale payments are prohibited;
- The property administration authority should establish a network system for immediately tracing pre-sale contracts of the commodity properties and a system for publishing property transaction information. The basic situation of the commodity building, the schedule of the sale and the status of rights should be duly, truly and fully published in the network system and on the locale of sale. The purchaser of a commodity property is prohibited from any transfer of such pre-sold commodity property that is still under construction;
- Without the pre-sale permit, advertisement for pre-sale of commodity buildings may not be published;
- Property developers which have a record of serious regulatory non-compliance or do not satisfy pre-sale requirements of commodity properties are not allowed to engage in sale activities;
- The property administration authority should strictly implement the regulations of the pre-sale contract registration and record filing and apply the real name identification system to property purchases.

TRANSFER OF REAL ESTATE

According to the “Provisions on Administration of Transfer of Urban Real Estate” (城市房地產轉讓管理規定) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to a transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land use rights as required by the land grant contract and a land use rights certificate has been properly obtained; and
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or

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- in case of a whole land lot development project, construction works have been carried out as planned, and water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.
- in case of where the real property has been completed in construction, the property ownership certificate shall have been obtained.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the assignee intends to change the use of the land provided in the land grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, *inter alia*, change the use of the land and adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, such allocation may be changed to land use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant laws and regulations. Land for commercial use, tourism, entertainment and commodity housing development must be assigned by public tender, auction or listing-for-sale under the current PRC laws and regulations.

Pursuant to the “Regulations on Transfer of Property of Shenzhen Special Economic Zone” (深圳經濟特區房地產轉讓條例), the following real estates shall only be transferred upon the approval by the administrative authority and full payment of land premium: (1) land use right of which is obtained by administrative allocation; (2) land premium was reduced when the land use right of which was obtained; (3) otherwise under the provisions of laws and regulations. The following real estates shall not be transferred: (1) land use right of which is reclaimed by the municipal government in accordance with the urban planning; (2) the land use right of which is ordered or decided to be sealed up or otherwise is restricted by the judicial authority and administrative authority; (3) jointly-owned real estate, without the written consent of the other joint owner(s); (4) mortgaged real estate, without the consent of the mortgagee; (5) the title of which is in dispute; (6) under the restriction of to be transferred by the laws, regulations or provisions of the municipal government. Transferor of real estate shall register the transfer of title in accordance with the relevant requirements. The date the transfer of title is registered with the real estate registration authority shall be the date of transfer of the title of real estate.

In addition, commercial banks are also banned from providing loans to the projects that have less than 35% of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real-estate development loans provided by commercial banks should only be used for the projects in the areas the commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

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On July 29, 2008, PBOC and CBRC jointly issued the Notice on Promoting Economic Use of Land through Finance (關於金融促進節約集約用地的通知). Commercial banks shall provide financial support preferentially to the projects with economic use of land, such as the development of low-cost rental units, economically affordable units, price-limit units and units with a GFA of less than 90 square meters. The commercial banks are prohibited from granting loans to the property developers for payment of land premium. The Notice emphasizes tightening the policy requirements and management of loans to certain projects, including:

- the management of loans for construction projects. The commercial banks are prohibited from providing loans to (i) the projects which do not meet the relevant planning and control requirements, (ii) the projects which have illegal land use and (iii) the projects for which the relevant land falls into the catalog of banned land use projects. Where a loan has already been granted to such a project, it shall be gradually recovered provided that necessary protection measures have been taken. A financial institution shall exercise caution in granting a loan to projects falls into the catalog of restricted land use projects.
- the examination of loans for municipal infrastructures and industrial land use projects.
- the management of loans for rural collective construction land use projects. The commercial banks are prohibited from providing loans to the commercial projects for which the relevant land is supposed to be developed for rural collective construction land use.
- the management of credit for property development projects. The commercial banks are prohibited from granting loans to the property developers for payment of land premium. With respect to loans provided for land reservation in the form of mortgage, a legal land use right certificate must be obtained. In addition, the maximum mortgage ratio shall not exceed 70% of the appraised value of the underlying collateral and, in principle, the term of loan shall not exceed two years. When the relevant land and resource authority confirms that an enterprise has developed less than 1/3 of the site area of land or has invested less than 1/4 of the total investment for the project after one year from the date of construction commencement as stipulated in the land grant contract, the commercial bank shall exercise caution in granting loans to the enterprise and strictly control extended loans or rolling credits to it.

LEASES OF BUILDINGS

Under the “Measures for Administration of Leases of Buildings in Urban Areas” (城市房屋租賃管理辦法) promulgated by the Ministry of Construction in May 1995, parties to a lease of a building must enter into a lease contract in writing. China has adopted a system to register the leases of real properties. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county level in which the building is situated.

Pursuant to the “Regulations on House Leasing of Shenzhen Special Economic Zone” (深圳經濟特區房屋租賃條例) promulgated by the Standing Committee of the People’s Congress of Shenzhen on May 1, 1993 and amended on April 16, 2004, and its implementation rules, the property lease market is centrally administered by the property administration authorities of the People’s Government of Shenzhen. The parties to a lease shall register and submit the lease agreement with the local administrative authority in respect of the entering into or the alteration of the lease agreement within 10

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days from the signing of the lease agreement. Local administrative authority shall register such lease agreement which is in compliance with the requirements of this provision within 5 days from the date of registration application while the lease agreements that are not in compliance with the requirements of this provision will not be registered and a written reply will be given to the applicant. Lessors who have registered the lease contract in respect of the property leased shall pay the management fee for the property lease which represents 2% of the monthly rent to the local administrative authority. Lessors who have filed the registration of the lease of property shall pay the management fee for the property lease which represents 3% of the monthly rent to the local administrative authority. Where the parties to a lease violate the requirements and have not registered or filed in registration in respect of the property leased, a one-off penalty amounting to 20% of the total rent prescribed in the lease contract will be imposed on the lessor or sub-lessor during the term of lease contract while the management fee for the property leased and delinquency charges will be demanded. A penalty amounting to 10% of the prescribed rent will be imposed on the lessee or sub-lessee in default.

MORTGAGES OF REAL ESTATE

Under the Urban Real Estate Administration Law, the “PRC Security Law” (中華人民共和國擔保法) promulgated by the National People’s Congress in June 1995, and the “Measures for Administration of Mortgages of Urban Real Estate” (城市房地產抵押管理辦法) promulgated by the Ministry of Construction in May 1997, as amended in August 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage must be simultaneously created on the land use rights of the land on which the building is situated. When a mortgage is created on land obtained by way of grant, a mortgage must be simultaneously created on the ownership of the building which is on the land. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. Within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under “third party rights” on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the property after issuance of the certificates evidencing the rights and ownership to the real estate.

The PRC Property Rights Law further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or administrative regulation applies.

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According to the PBOC Notice on Regulating Home Financing Business (中國人民銀行關於規範住房金融業務的通知) promulgated in June 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial property mortgage loans:

- Housing development loans from banks may only be granted to real estate developers with development qualification and credit ratings in the higher categories. Such loans may be offered to residential projects with good market potential. While the borrowing enterprise’s internal capital may not be less than 30% of the total investment required for the project, the project itself must have been issued the land use rights certificate, construction land planning permit, construction works planning permit and construction permit.
- In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the collateral may never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-sale property, the property must have achieved the stage of “topping-out of the main structure completed” for multi-storey buildings and “two-thirds of the total investment completed” for high-rise apartment buildings.
- In respect of the grant of individual commercial use building mortgage loans, the mortgage ratio for commercial use building mortgage loans may not exceed 60% with a maximum loan period of 10 years and the subject commercial use building already completed.

The PBOC issued the “Circular on Further Strengthening the Management of Loans for Property Business” (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity properties as follows:

- (i) The property loan by commercial banks to property enterprises shall be granted only by the item of property development rather than cash flow loan item or other loan item. Any kind of loan cannot be granted for the projects which do not have Land-Use Rights Certificates, Construction Land Planning Permits, Construction Planning Permits and Construction Permits;
- (ii) Property loans may be granted to property enterprises who are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans shall be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and shall be property restricted where projects involve building properties of large size and/or cover large area, such as luxury commodity houses and villas. For property enterprises with commodity houses of high vacancy rate and debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring;
- (iii) Commercial banks shall not grant loans to property developers to pay off land premium;

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- (iv) Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the first installment shall be increased; and
- (v) When a borrower applies for a mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity building must be duly completed and accepted after the relevant governmental inspection.

The first installment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area of 90 square meters or more, effective on June 1, 2006. See “— Measures on Stabilizing Housing Price” below.

In a Circular on Facilitating the Continuously Healthy Development of Property Market (關於促進房地產市場持續健康發展的通知) issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity houses and controlling the construction of high quality commodity houses. Besides, the government also staged a series of measures on the lending for residential development. They included, among others, strengthen efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

Pursuant to the “Guidance on Risk Management of Property Loans of Commercial Banks” (商業銀行房地產貸款風險管理指引) issued by the CBRC on September 2, 2004, any property developer applying for property development loans shall have at least 35% of capital required for the development.

According to the “Notice of the People’s Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposit ” (中國人民銀行關於調整商業銀行住房信貸政策和超額存款準備金存款利率的通知), promulgated by the PBOC on March 16, 2005, from March 17, 2005, in the cities and areas where the price of houses grows too quickly, the first installment of individual home loans increases from 20% to 30%. The commercial banks can independently determine the specific cities or areas under such adjustment according to special situations in different cities or areas.

On May 24, 2006, State Council issued the “Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices” (關於調整住房供應結構穩定住房價格的意見). The regulations on the property credit of this are as follows:

- (i) Strictly impose credit conditions on property development. In order to suppress property development enterprises from storing up land and housing resources by use of bank loans, commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, for example, having a project capital less than 35%. For property development

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enterprises that have much idle land and vacant commodity properties, the commercial banks shall, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit. The commercial banks shall not accept any commodity property that has been idle for more than three years as collateral for loans; and

- (ii) From June 1, 2006, the proportion of initial payment of individual housing mortgage loans shall not be lower than 30%. However, considering the demands for housing by the medium and low-income population, the purchase of self-used housing with gross floor area no more than 90 square meters is still subject to the provision of the initial payment of housing at 20%.

According to the “Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market” (關於規範房地產市場外資准入和管理的意見) effective on July 11, 2006, FIREEs which have not paid up their registered capital, or failed to obtain a Land-Use Rights Certificate, or with less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and the SAFE shall not approve the registration of foreign loans for such enterprises.

On July 10, 2007, the SAFE issued a notice indicating that it would not process for FIREEs any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM on or after June 1, 2007.

In September 2007, the PBOC and CBRC promulgated a “Circular on Strengthening the Administration of Commercial Real-estate Credit Loans” (關於加強商業性房地產信貸管理的通知). The circular aims to tighten the control over real-estate loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first-time home owner, increasing the minimum amount of down payment to 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 its own residence;
- for a second-time home buyer (unless the buyer has paid off its outstanding loans on its first property), increasing (i) the minimum amount of down payment to 40% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 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, (iv) limiting the terms of such bank loans to no more than 10 years, although the commercial banks are allowed flexibility based on its 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 to be decided by reference to commercial properties;

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- prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties;
- prohibiting commercial banks from lending to property developers solely for the payment of land premiums; and
- commercial properties purchase by loans shall have been completed and passed completion acceptance inspection.

On December 5, 2007, the PBOC and CBRC jointly issued the “Supplemental Circular on Strengthening the Management of Commercial Real-estate Credit Loans” (關於加強商業性房地產信貸管理的補充通知), which clarifies that the times of property mortgage loans should be calculated on a family basis, including the borrower and his spouse and minor child.

According to the requirement under a notice issued by POBC and CBRC on Promoting Economical and Intensive Utilization of Land Through Financing in July 2008, with respect to loans provided for land reservation in the form of mortgage, a legal land use right certificate must be obtained. In addition, the maximum amount of the mortgage offered by the financial institution should not be more than 70% of the assessed value of the collateral and the loan term should not exceed two years in principle.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans which provides that, effective October 27, 2008, the float-down range for interest rate for individual mortgage loans is expanded and the ratio of down payments is be adjusted. As a result, the minimum interest rate for individual mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio for the home buyers on their first house purchases is adjusted to 20%.

In December 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (關於促進房地產市場健康發展的若干意見). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self-occupied housing for the first-time by borrowing a mortgage loan shall enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first-time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self-occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate shall be determined by the commercial banks based on the benchmark interest rate and their the banks’ risk assessments.

According to an opinion on Adjusting the Portion of Capital for Fixed Assets Investment issued by the State Council in May 2009, the capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital ratio for other property is adjusted from 35% to 30%. Financial institutions shall decide based on the capital ratio adjustments whether or not to issue loans to real estate companies.

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Major Taxes Applicable to Property Developers

(a) *Income tax*

According to the “Income Tax Law of The People’s Republic of China for Foreign-invested Enterprises and Foreign Enterprises” (中華人民共和國外商投資企業和外國企業所得稅法) which was promulgated by the NPC on April 9, 1991 and implemented on July 1, 1991 and its detailed rules promulgated by State Council on June 30, 1991, the income tax on enterprises with foreign investment shall be computed on the taxable income at the rate of 30%, and local income tax shall be computed on the taxable income at the rate of 3%, whereas foreign invested enterprises established in special economic zones (including the Shenzhen Special Economic Zone) shall be applicable to a preferential income tax rate of 15%.

Pursuant to the “Provisional Regulations of the People’s Republic of China on Enterprise Income Tax” (中華人民共和國企業所得稅暫行條例) issued by the State Council on December 13, 1993 and enforced on January 1, 1994 and the “Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Enterprise Income Tax” (中華人民共和國企業所得稅暫行條例實施細則) issued by the Ministry of Finance on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises is 33%.

Under the “Special Economic Zone Regulation of Guangdong Province” (廣東省經濟特區條例) enacted by the Standing Committee of the People’s Congress of Guangdong Province and approved by the Standing Committee of the NPC on August 26, 1980, the “Rules Regarding to Issues on Enterprise Taxation Policies of the Shenzhen Special Economic Zone” (關於深圳特區企業稅收政策若干問題的規定) issued by the People’s Government of Shenzhen on August 1, 1988 and effective September 1, 1988 and a “Notice to Forward the Provisional Regulations of the People’s Republic of China on Enterprise Income Tax and the Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Enterprise Income Tax” (關於轉發《中華人民共和國企業所得稅暫行條例》和《中華人民共和國企業所得稅暫行條例實施細則》的通知) issued by the local tax bureau of Shenzhen on March 14, 1994, enterprises established within the Shenzhen Special Economic Zone shall be applicable to a preferential income tax rate of 15%.

According to the “PRC Enterprise Income Tax Law” (中華人民共和國企業所得稅法) enacted by the NPC on March 16, 2007 and effective since January 1, 2008, a uniform income tax rate of 25% should be applied to foreign invested enterprises and foreign enterprises which have set up institutions or facilities in the PRC as well as domestic enterprises. This new tax law supersedes the Income Tax Law of the PRC for Foreign Invested Enterprises and Foreign Enterprises and the Provisional Regulations of the PRC on Enterprise Income Tax.

Furthermore, unlike the Income Tax Law of the PRC for Foreign-invested Enterprises and Foreign Enterprises, which specifically exempted withholding tax on any dividends payable to non-PRC enterprise investors, the PRC Enterprise Income Tax Law provides that a withholding tax rate of 20% will normally be applicable to dividends payable to non-PRC resident enterprise which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC resident enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. In accordance with the PRC Enterprise Income Tax Law and the “Implementation Rules of the People’s Republic of China on the Enterprise Income Tax Law” (中華人民共和國企業所得

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稅法實施條例) promulgated by the State Council on December 6, 2007 and effective as of January 1, 2008, a reduced withholding tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises. Pursuant to the “Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income” (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, which in Hong Kong, applies to income derived in any year of assessment commencing on or after April 1, 2007; and in the PRC, in any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary.

In addition, under the PRC Enterprise Income Tax Law and its Implementation Rules, enterprises established under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The PRC Enterprise Income Tax Law and its implementation rules provide that “de facto management body” of an enterprise is the organization that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise.

The PRC Enterprise Income Tax Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually transit to the uniform tax rate within the transition period in accordance with implementing rules issued by the State Council. On December 26, 2007, the State Council issued the “Circular on Implementing the Transitional Preferential Policies for the Enterprise Income Tax” (關於實施企業所得稅過渡優惠政策的通知), under which, for those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007, the transitional income tax rate should be 18%, 20%, 22%, 24% and 25% respectively in 2008, 2009, 2010, 2011 and 2012.

(b) Business Tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Business Tax” (中華人民共和國營業稅暫行條例) promulgated by the State Council on December 13, 1993 and implemented on January 1, 1994 and the “Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Business Tax” (中華人民共和國營業稅暫行條例實施細則) issued by the MOF on December 25, 1993, the tax rate of the transfer of real properties, their superstructures and attachments is 5%.

(c) Land Appreciation Tax

According to the requirements of the “Provisional Regulations of The People’s Republic of China on Land Appreciation Tax” (中華人民共和國土地增值稅暫行條例) (the “Land Appreciation Tax Provisional Regulations”) which was promulgated by the State Council on December 13, 1993 and effected on January 1, 1994, and the “Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax” (中華人民共和國土地增值稅暫行條例實施

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細則) (the “Land Appreciation Tax Detailed Implementation Rules”) which was promulgated by the MOF and came into effect on January 27, 1995, any appreciation gain from a transfer of property shall be subject to LAT. LAT shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- other deductible items as specified by the MOF.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the “Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before 1 January 1994” (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) issued by the MOF and the State Administration of Taxation on January 27, 1995, LAT shall be exempted under any of the following circumstances:

- taxpayers construct ordinary standard residences for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties. Deluxe apartments, villas, resorts etc. are not under the category of ordinary standard residences) and the appreciation amount does not exceed 20% of the sum of deductible items;
- property is taken back and repossessed according to laws due to the construction requirements of the State;
- due to redeployment of work or improvement of living standard, individuals transfer self-used residential property, in which they have been living for 5 years or more, subject to tax authorities’ approval;
- transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred;
- if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the LAT shall be exempted if the properties are transferred within 5 years after January 1, 1994 for the first time. The date of signing the contract shall be the date of signing the Sale and Purchase Agreement. Particular properties projects which are

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approved by the government for the development of the whole lot of land and long-term development, of which the properties are transferred for the first time after the 5-year tax-free period, the tax-free period may be appropriately prolonged subject to the approval of the MOF and the State Administration of Taxation.

On December 24, 1999, the MOF and the State Administration of Taxation issued the “Notice in respect of the extension of the period for the Land Appreciation Tax Exemption Policy” (關於土地增值稅優惠政策延期的通知) that extended the period for the Land Appreciation Tax exemption policy as mentioned in paragraph (5) above to the end of 2000.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not force the property development enterprises to declare and pay the LAT. Therefore, the MOF, State Administration of Taxation, Ministry of Construction and the MLR had separately and jointly issued several notices to restate the following: after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay LAT in accordance with the amount as calculated by the tax authority and the time as required. For those who fail to acquire proof of payment or exemption from LAT from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The State Administration of Taxation also issued the “Notice on Serious Handling of Administration of the Collection of Land Appreciation Tax” (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up a sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of properties. The Notice also pointed out that either for the properties development contract which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred for the first time is expired, and such tax shall be levied again. This requirement is restated in the “Notice on Strengthening of Administration of the Collection of Land Appreciation Tax” (關於加強土地增值稅管理工作的通知) and “Notice of State on Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns” (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued separately on August 2, 2004 and August 5, 2004 by State Administration of Taxation. These two Notices also required that the system of tax declaration and tax sources registration in relation to the LAT should be further established and perfected.

According to the “Approval on Issues Concerning Starting Levying Land Appreciation Tax” (關於我市開徵土地增值稅有關問題的批覆) issued by the general office of the People’s Government of Shenzhen on October 25, 2005, the “Notice on Starting Levying Land Appreciation Tax” (關於我市開徵土地增值稅的通知) and the “Provisional Regulation on Administration of Land Appreciation Tax of Property Developer in Shenzhen” (深圳房地產開發企業土地增值稅徵收管理暫行辦法) issued by the local taxation bureau of Shenzhen respectively on November 2, 2005 and on November 9, 2005, since November 1, 2005, LAT shall be applicable to any property developer engaging in property development to gain appreciation in Shenzhen.

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To further regulate the levy and management of LAT, the local bureau of Shenzhen issued the “Notice on Relevant Issues Regarding Land Appreciation Tax” (關於土地增值稅有關問題的通知) on December 15, 2005. The Notice mainly specifies the issues such as the occurrence time of the tax obligation for LAT, the sale of remaining units after completion and clearing of the construction of property and the transfer of used properties. Pursuant to the Notice, the property developers’ tax obligation for land appreciation tax is determined upon the time when the property sale contract is entered into. In respect of property sale contract entered after November 1, 2005 (including November 1), the pre-paid land appreciation tax is calculated on the basis of the aggregate amount of the sales price of the sold property at the time when the taxpayer receives the first installment income from selling the property.

On August 1, 2006, the local bureau of Shenzhen issued the “Notice on Relevant Issues Regarding Deductible Items for Land Appreciation Tax” (關於土地增值稅扣除項目有關問題的通知), which mainly specifies the issues such as the deductible items for LAT and the tax payable for the sale of remaining units of properties.

On March 2, 2006, the MOF and State Administration of Taxation issued the “Notice on Several Points on Land Appreciation Tax” (關於土地增值稅若干問題的通知) to clarify the relevant issues regarding LAT as follows.

- (i) *As to the tax collection and exemption in the sale of ordinary standard residential housing as built by taxpayers as well as in the transfer of ordinary residential houses by individual residents.*

The notice sets out the standards for ordinary standard residential houses. Where any developers build ordinary residential houses as well as other commercial houses, the appreciation amount of land shall be verified respectively. Before the day when this notice is publicized, as to any application for tax exemption for ordinary standard residential houses that has been filed to the tax authority at the locality of the property, especially any ordinary standard residential houses which have been given the treatment of exemption from LAT upon examination according to the standards for ordinary standard residential houses as determined by the people’s government of a province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

- (ii) *As to the advance collection and settlement of LAT*

- All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value addition level of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up;

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- As to any tax that fails to be collected in advance within the advance collection term, the overdue fines shall be collected as of the day following the expiration of the prescribed advance collection term according to the relevant provisions of the Tax Collection and Administration Law as well as its detailed rules for implementation;
- As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning; and
- As to the tax collection and exemption for investment or association by means of the property. As to any investment or association by using land (property) as payment for the purchase of shares, where an enterprise involved in the investment or association engages in the property development or where any other property development enterprise makes investment or conducts association with the commercial houses it itself builds, it shall not be governed by the regulation of the interim exemption of LAT when the property (land) is transferred to the enterprise by means of investment or association.

On December 28, 2006, the State Administration of Taxation issued the “Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises” (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007. Pursuant to the Notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property developer transfers the whole incomplete development project; or (iii) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (i) for completed property development projects, the transferred GFA represents more than 85% of total saleable GFA, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer; (ii) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (iii) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (iv) other conditions stipulated by the tax authorities.

The Notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the

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accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; or (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

On May 12, 2009, the State Administration of Taxation issued the “Administrative Rules for the Settlement of Land Appreciation Tax” (土地增值稅清算管理規程), which became effective on June 1, 2009. The rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

(d) *Deed tax*

Pursuant to the “Interim Regulations of the People’s Republic of China on Deed Tax” (中華人民共和國契稅暫行條例) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be the obliged taxpayer for deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the State Administration of Taxation for the record.

(e) *Urban land use tax*

Pursuant to the “Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Urban Areas” (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988 and implemented on November 1, 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.2 and RMB10 and be collected according to the tax rate determined by the local tax authority. According to the “Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China” (關於對外商投資企業和外國企業在華機構的用地不徵收土地使用稅的通知) promulgated by the MOF on November 2, 1988 and the “Approval on Land Use Tax Exemption of Foreign-Invested Enterprises” (關於外商投資企業免徵土地使用稅問題的批覆) issued by State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Urban Areas were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

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(f) *Buildings tax*

Under the “Interim Regulations of the People’s Republic of China on Building Tax” (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, building tax shall be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

(g) *Stamp duty*

Under the “Interim Regulations of the People’s Republic of China on Stamp Duty” (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land-use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

(h) *Municipal maintenance tax*

Under the “Interim Regulations of the People’s Republic of China on Municipal Maintenance Tax” (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the “Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises” (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知), and the “Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-invested Freightage Enterprises” (關於外商投資貨物運輸企業免徵城市維護建設稅和教育費附加問題的批覆) issued by State Administration of Taxation on February 25, 1994 and on September 14, 2005 respectively, the municipal maintenance tax shall not be applicable to foreign-invested enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

(i) *Education surcharge*

Under the “Interim Provisions on Imposition of Education Surcharge” (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005 respectively, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the “Notice of the State Council on Raising Funds for Schools in Rural Areas” (國務院關於籌措農村學校辦學經費的通知). Under the “Supplementary Notice Concerning Imposition of Education Surcharge” (關於教育費附加徵收問題和補充通知) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises and the Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-invested Freightage Enterprises issued by State Administration of Taxation on February 25,

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1994 and on September 14, 2005 respectively, the education surcharge shall not be applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Hong Kong Taxation

(a) *Dividends*

Under the current practice of the Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends we pay. Dividends distributed to our shareholders are free of withholding taxes in Hong Kong.

(b) *Capital gains and profit tax*

No tax is imposed in Hong Kong in respect of capital gains from the sale of our Shares. Trading gains from the sale of our Shares by persons carrying on a business in Hong Kong, where such gains are sourced in Hong Kong and arise from such business, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Gains from sale of our Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sale of our Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

(c) *Stamp duty*

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of our Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our Shares transferred on each sale and purchase. In other words, a total of 0.2% of stamp duty is currently payable on a typical sale and purchase transaction of our Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of our Shares is effected by a non-Hong Kong resident and any stamp duty payable on the contract notes is not paid, the relevant instrument of transfer (if any) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

Cayman Islands Taxation

Pursuant to section 6 of the Tax Concession Law (1999 Revision) of the Cayman Islands, our company has obtained an undertaking from the Governor in Cabinet:

- that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our company or its operations; and
- in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our company:
 - (i) on or in respect of the shares, debentures or other obligations of our company; or

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- (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from July 31, 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. We do not hold, and do not intend to hold, any interest in land in the Cayman Islands.

PROPERTY MANAGEMENT

According to the “Regulation on Property Management” (物業管理條例) enacted by the State Council on June 8, 2003, enforced on September 1, 2003, and as amended on August 26, 2007, the state implements a qualification scheme system in monitoring the property service enterprises.

Under the “Measures for the Administration of Qualifications of Property Service Enterprises” (物業服務企業資質管理辦法) promulgated by the Ministry of Construction in March 2004 and amended in November 2007, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property service without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate.

According to the Measures for the Administration on Qualifications of Property Service Enterprises, the qualifications of a property service enterprise shall be classified as class one, class two and class three. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class one property service enterprises. The competent construction departments of the people’s governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class two property service enterprises, and the competent realty departments of the people’s governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificate of the classes two and three property service enterprises. The competent realty departments of the people’s governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three property service enterprises.

The property service enterprises with the class one qualification may undertake various real estate management projects. The property service enterprises with the class two qualification may undertake the property management business of residential management projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The property service enterprises with the

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class three qualification may undertake the property management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m. An annual inspection system shall be implemented on the qualifications of property service enterprises.

The annual inspection on the property service enterprises of varied classes of qualifications shall be presides over by the corresponding departments of qualification examination and approval.

Under the “Measures for the Administration of Property Management Industry in the Shenzhen Special Economic Zone” (深圳經濟特區物業管理行業管理辦法) promulgated by the People’s Government of Shenzhen on July 20, 1998 and amended on August 26, 2004, the residential management administration department of the Shenzhen People’s Government is the administrative body for the property industry, which is responsible for the direction, supervision and administration of the property industry pursuant to relevant regulations. The appointment of a property management enterprise for provision of property management services shall be determined by way of tender, except under the following situations: (1) the property is used by the property developer itself; or (2) within a property management district, the total floor area of the multi-storey building is below 50,000 square metres or the total floor area of high-rise building is below 20,000 square metres or the total floor area of multi-storey high-rise complex is below 30,000 square metres. The property developer or the owners management committee should enter into an entrustment management contract with the property management enterprise and report the arrangement to the supervisory body of the district for record.

In accordance with the Regulation on Property Management and the Properties Rights Law, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building.

Under the “Regulations on Property Management of Shenzhen Special Economic Zone” (深圳經濟特區物業管理條例) promulgated by the Standing Committee of the People’s Congress of Shenzhen on October 17, 2007 and effective on January 1, 2008, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than half of the total voting rights. The appointment of a property management enterprise for provision of property management services shall be determined by way of tender, among which, property management enterprise providing services for residential properties shall be appointed by way of public tender. A property management enterprise may be employed by way of negotiations under the following situations: (1) the property is owned by one owner, or owned by less than 10 owners with the their unanimous consents; (2) the owners’ meeting determines to extend the service provision contract with the former property management enterprise after the expiry of the property management service contract; (3) within a property management district, the total floor area of the multi-storey building is below 50,000 square metres or the total floor area of high-rise building is below 20,000 square metres or the total floor area of multi-storey high-rise complex is below 30,000 square metres with the consent of the owners’ meeting; or (4) there are less than 3 bidders. For residential properties, under the circumstances as mentioned in item (3) and (4) above, the development enterprise may engage a property management enterprise through negotiation with the approval from relevant administrative authorities of the district, otherwise, the engagement shall be invalid.

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INSURANCE

There is no mandatory provision in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party’s liability risk, employer’s liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

MEASURES ON STABILIZING HOUSING PRICE

The General Office of the State Council promulgated a “Circular on Stabilizing Housing Price” (關於切實穩定住房價格的通知) in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Taxation Bureau and the CBRC jointly issued an “Opinions on Stabilizing Housing Prices” (關於做好穩定住房價格工作的意見) containing the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled. The relevant local government authorities are authorized to impose condition planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and gross floor area as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased.
- Land supply for house construction should continue to be suspended, and land supply for high-end housing property construction should be strictly restricted.
- Land idle fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be forfeited without compensation.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her

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purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.

- Ordinary residential houses with medium or small gross floor areas and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the gross floor area of one single unit is less than 120 square meters, and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

According to the “Notice of the People’s Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposit” (中國人民銀行關於調整商業銀行住房信貸政策和超額存款準備金存款利率的通知), promulgated by the PBOC on March 16, 2005, from March 17, 2005, in the cities and areas where the price of houses grows too quickly, the first instalment of individual home loans increases from 20% to 30%. The commercial banks can independently determine the specific cities or areas under such adjustment according to special situations in different cities or areas.

On May 24, 2006, the Ministry of Construction, the NDRC, the PBOC and other relevant PRC government authorities jointly issued their “Opinions on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices” (關於調整住房供應結構穩定住房價格的意見). Such opinions reiterated the existing measures and ushered additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small- to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area of less than 90 square meters per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

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- increasing the minimum amount of down-payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more, effective from June 1, 2006;
- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years when such levy was initially implemented in June 2005, and allowing such business tax to be levied on the difference between the price for such re-sale and the original purchase price in the event that an individual transfers a property other than an ordinary residential property after five years from his/her date of purchase.

On May 30, 2006, the Ministry of Land and Resources issued the “Urgent Notice on Further Tightening of Land Administration” (國土資源部關於當前進一步從嚴土地管理的緊急通知). The notice stressed that land for property development must be granted by public tender, auction or listing-for-sale. It further stipulates that the rules suspending the development project for villas should be strictly enforced, and the land supply and the relevant procedures for development of villas will be ceased from the date of the notice’s issuance. Under the notice, the land authority must rigidly execute the “Model Text of the State-owned Land Use Rights Assignment Contract” and “Model Text of the State-owned Land Use Rights Assignment Supplementary Agreement (for Trial Implementation)” jointly issued by the Ministry of Land and Resources and the SAIC. The documents of land grant must ascertain the requirements of planning, construction and land use such as the restrictions on the dwelling size, plot ratio, and the time limit for the commencement and completion of construction. All these must be set forth in the land grant contract.

In July 2006, the Ministry of Construction, the NDRC, the Ministry of Commerce, the PBOC, the State Administration for Industry and Commerce, and the SAFE jointly issued an “Circular on Standardizing the Admittance and Administration of Foreign Capital in Property Market” (關於規範房地產市場外資准入和管理的意見) (the “171 Opinion”). The 171 Opinion aims to tighten access by foreign capital to the PRC real estate market and to restrict property purchases in China by foreign institutions or individuals. It provides, among others, that a foreign institution or individual must establish a foreign-invested enterprise in order to purchase real estate in China if the property is not intended for self use. The registered capital of such foreign-invested enterprise must amount to at least 50% of its total investments in PRC real properties if the amounts of such investments exceed US\$10 million. Branches and representative offices of foreign institutions in China and foreign individuals who work or study in China for more than one year may purchase property for their own use but not for any other purpose; and foreign institutions which have no branches or representative offices in China or foreign individuals who work or study in China for less than a year are prohibited from purchasing any real property in China. In September 2006, the SAFE and the Ministry of Construction jointly issued a “Notice in Respect of Foreign Exchange Issues in the Real Estate Market” (關於規範房地產市場外匯

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管理有關問題的通知) (the “47 Notice”) to implement the 171 Opinion. The 47 Notice provides specific procedures for purchasing properties by foreign institutions and foreign individuals. The 47 Notice also forbids a FIREE to apply for overseas loans if it has failed to pay its registered capital in full or obtain the land use rights certificates, or its own capital funds do not reach 35% of the total investment for the project.

In July 2006, the Ministry of Construction, the NDRC and the State Administration of Industry and Commerce jointly issued a “Notice on Reorganizing and Regulating Orderly Real Estate Transactions” (關於進一步整頓規範房地產交易秩序的通知), with the following requirements:

- The developer is required to start to sell the commodity properties within 10 days after receiving pre-sale permits. Without pre-sale permits, the pre-sale of commodity properties as well as subscription (including reservation, registration and number selecting) and acceptance of any kind of pre-sale payments are forbidden.
- The real estate administration authority is required to establish an immediate network system for pre-sales and purchase agreements of commodity properties and a system for the publication of real estate transaction information. The transaction information, such as the basic situation of the commodity building, the schedule of the sale and the rights status, should be duly, truly and fully published in the network system and on the locale of sale. The transfer of a commodity building which is pre-sold and still under construction is prohibited.
- Without the pre-sale permit, no advertisement of the pre-sale of commodity properties may be published.
- Real estate development enterprises with a record of serious irregularity or enterprises which do not satisfy the requirements of pre-sale of commodity properties is not allowed to take part in sale activities.
- The real estate administration authority is required to strictly carry out the pre-sale contract registration and require purchasers to use their real names for property purchases.

On July 22, 2006, CBRC issued a “Notice on Further Strengthening the Administration of Real Estate Credit” (關於進一步加強房地產信貸管理的通知), which provides that commercial banks shall (i) be prohibited from providing loans to disqualified real estate developers including those whose capital is less than 35% of the total capital required for the projects (not including affordable housing projects) or who have not obtained the relevant land use right certificates, construction work commencement permits; and (ii) prevents real estate developers from obtaining loans by project split-up or roll-ahead development strategies.

On September 30, 2007, the Ministry of Land and Resources issued the “Notice on Implementation of the State Council’s Certain Opinions on Resolving Difficulties in Housing of Urban Low-Income Family and Further Strengthening the Macro-control of Land Supply” (關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知) to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economic housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year.

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On July 29, 2008, the PBOC and the CBRC jointly issued the “Notice on Promoting Economic Use of Land through Finance” (關於金融促進節約集約用地的通知). The Notice emphasizes that the financial institutions should tighten the management of loans for certain projects, including construction projects, municipal infrastructures and industrial land use projects, rural collective construction land use projects, and should tighten the management of credit for commercial real estate. The commercial banks are prohibited from granting loans to the property developers for payment of land premium and to the property projects including but not limited to the followings:

- the construction projects for which the relevant land falls into the catalog of banned land use projects;
- the property development projects for which the relevant land is supposed to be developed for rural collective construction land use; and
- the property development projects for which the relevant land has been idle for two years or more.

In December 2008, the General Office of the State Council issued the rules on the Opinion on Promoting the Healthy Development of Real Estate Market, which provides that in order to expand domestic demand and encourage consumption in ordinary residential housing, a business tax relief policy for real property transfers will be implemented for one year in relation to residential property conveyance. Business tax is exempted for any transfer of ordinary housing purchased and held by individuals for at least two years, as opposed to five years previously; any transfer of ordinary housing purchased by individuals for less than two years is subject to business tax based on the difference between the sale price from such transfer and the original purchase price, as opposed to the full sale price. Any transfer of non-ordinary housing purchased by individuals for at least two years, as opposed to five years previously, is subject to business tax based on the difference between the gain from such transfer and the original purchase price. Any transfer of non-ordinary housing purchased by individuals for less than two years remains subject to business tax based solely on the sale price from such transfer. The above-mentioned policy is tentatively scheduled to be enforced until December 31, 2009.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans which provides that, as of October 27, 2008, the float-down range for interest rate for commercial individual housing loans will be expanded and the ratio of down payments will be modified. The minimum interest rate for commercial individual housing loans will be 70% of the benchmark loan interest rate and the minimum down payment ratio will be adjusted to 20%. Related matters are as follows:

- Loan interest rate and down payment ratio granted by the financial institutions to their clients shall be determined based on the following factors: whether or not it is the first time for the borrower to buy the house, whether or not the house is used for self occupancy, whether or not the house type and GFA conform to an ordinary residential house, and other risk factors such as the borrower’s credit record and repayment capacity.

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- Financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents [for their first purchase of ordinary self-occupied houses and improved ordinary self-occupied houses]. For non-self-occupied houses and non-ordinary residential houses, financial institutions may properly raise the loan conditions.
- As to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion thereof, in accordance with Section 1 of this notice, on the basis of reasonable assessment of loan risks and according to the original loan contracts. The down payment ratio under the original loan contracts shall remain effective.
- The policy that the borrower’s monthly expenditure on repayment of housing loans shall not exceed 50% of his/her monthly income remains unchanged.

The People’s Government of Shenzhen issued the “Opinions on Stabilizing the Housing Price and Promoting the Sustainable and Healthy Development of Property Market in Shenzhen” (關於穩定房價促進我市房地產市場持續健康發展的意見) on April 28, 2006, in order to further enhance the guidance and regulation towards the property market, achieve basic balance of demand and supply of the property market, stabilize housing price practically, enhance the stable, healthy and continuing development of the property market in Shenzhen. Major opinions are suggested hereby as follows:

- From now on in 3 to 5 years, increase the scale of residential land supply properly, including the guarantee of various policy residential land scale; accelerating the reconstruction of village in city within the special zone; realizing the planned target of the scale of demolishing and reconstructing the village in city reaching 20% of the total amount of the present conditions within 5 years; treating the land problems involved in the process of urbanization of Baoan and Longgang properly, putting more efforts in handling various problem projects, and activating properties of various capacity.
- Further regulate the product structure of residential units, and put emphasis on increasing the supply of ordinary commodity properties. From now on, to stipulate in the approval documents (such as building land planning permits, land contracts, etc.) that the proportion of residential unit numbers and residential unit structure intended for construction will be conditions for planning gradually upon the supply of land for ordinary commodity properties. This stipulation helps to ensure annual supply of ordinary commodity residential properties to be not less than 90% of the supply of all commodity residential properties.
- Pursuant to the relevant requirement of laws and regulations of the State, to increase the clearing of idle land and to stop various behavior of land hoarding. As for the land with contract of grant signed, if it is not developed and built on schedule, it should be subject to idle land fee based on 10% of the land price of the first year from the date it is recognized as idle; the land use right will be taken back from the second year the land is idle from the effective date of land contract.
- Enhance the management of affordable properties which should not be transferred within 5 years from the signing of contract. To promote the housing guarantee transferred from “selling-based” to “leasing-based,” more emphasis will be put on various public leased units

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(such as affordable rental units and low rental price units), strengthen the guarantee effect of public leased units to the low income population and temporary residents in compliance with the required conditions.

- Increase the threshold of pre-sale commodity properties gradually, and stipulate in the commodity properties bidding and auction contracts that the commodity properties are on sale upon completion of construction on a trial basis. From now on, depending on the actual situation of the market, the sale of commodity properties after completion and examination will be the preconditions for the disposal of land, and will be implemented to all property development projects gradually.
- Strictly enforce the related laws, regulations, conditions and the “Decisions of the People’s Government of Shenzhen Municipality of Shenzhen Municipal People’s Government, PRC on Inspecting and Punishing Illegal Building and Illegal Land Use” (Shen Fa No. (2004) 13), further increase the extend of inspecting and punishing the illegal buildings and lands, complete the inspection and punishment of illegal construction works in 3 to 5 years, purify the environment of property market and regulate the behavior of properties construction.
- Strengthen the “window guidance” towards commercial banks, regulate the individual properties mortgage loan business, and prevent the credit risks of properties. Supervise the commercial banks in providing loans for the general public to purchase ordinary commodity properties, take effective measures to curb the credit demand of properties speculation, and enhance the healthy development of properties financing market.
- Strictly comply with the relevant laws, regulations and conditions, further adjust and regulate the properties advertisements, implement the system of pricing in plain figures, and increase the extend of inspecting and punishing illegal sales behavior.

On September 27, 2007, the PBOC and the CBRC further tightened mortgage lending by PRC commercial banks, by increasing the amount of down payment a property purchase must make before seeking mortgage financing.

OVERSEAS LISTING

In August 2006, the MOFCOM, the State Assets Supervision and Administration Commission, the State Taxation Bureau, the State Administration of Industry and Commerce, the China Securities Regulatory Commission, and the SAFE jointly adopted the “Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” (關於外國投資者並購境內企業的規定), or the New M&A Rule, which became effective on September 8, 2006. This New M&A Rule requires, among other things, that offshore special purpose vehicles, formed for overseas listing purposes through acquisitions of PRC domestic companies controlled by PRC companies or individuals, obtain the approval of the China Securities Regulatory Commission prior to publicly listing their securities on an overseas stock exchange.

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ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental protection requirements for real estate development in China include the “PRC Environmental Protection Law” (中華人民共和國環境保護法), the “PRC Prevention and Control of Noise Pollution Law” (中華人民共和國環境噪聲污染防治法), the “PRC Environmental Impact Assessment Law” (中華人民共和國環境影響評價法) and the “Administrative Regulations on Environmental Protection for Development Projects” (建設項目環境保護管理條例). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental protection standards and regulations before the property can be delivered to the purchasers.

FOREIGN EXCHANGE CONTROLS

Under the “PRC Foreign Currency Administration Rules” (中華人民共和國外匯管理條例) promulgated in 1996 and revised in 1997 and in 2008 and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The receipt of foreign currency payments under current account may be retained pursuant to the relevant regulations. Payments of current-account items may be remitted in foreign currencies without prior approval from the relevant foreign exchange administration authorities by complying with certain procedural requirements. The foreign currency receipts and remittance under current account should have a genuine and legitimate basis and financial institutions processing such transactions shall verify the authenticity of the relevant transaction documents and their consistency with the foreign currency receipts or remittances. However, the reservation or conversion of receipt of foreign currency payments under capital account requires pre-approval from the relevant foreign exchange administration authorities, unless specifically exempted under applicable regulations. If a regulatory pre-approval is not specifically required, payment of capital-account items may be remitted in foreign currency directly to financial institutions, provided that valid documentation is presented. Foreign exchange transactions involving foreign direct investment, foreign debts and outbound investment in securities and derivatives are subject to limitations and require approvals from the relevant foreign exchange administration authorities.

In October 2005, the SAFE issued a “Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies” (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). According to the notice, a special purpose company refers to an offshore company established or indirectly controlled by PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprises. Prior to establishing or assuming control of a special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. These PRC residents must also amend the registration with the relevant SAFE branch in the following circumstances: (1) the PRC residents have completed the injection of

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equity investment or assets of a domestic company into the special purpose company; (2) the overseas funding of the special purpose company has been completed; (3) there is a material change in the capital of the special purpose company. Under the rules, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the violator, including restrictions on the payment of dividends and other distributions to its offshore parent company, and may also subject the violators to penalties under the PRC foreign exchange administration regulations.

On August 29, 2008, SAFE issued the “Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Investment Enterprises (關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知). Pursuant to this circular, a foreign invested enterprise’s Renminbi converted from foreign exchange capital contribution can only be used for the activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition unless otherwise allowed by PRC laws or regulations.

APPENDIX VI SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 August 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●], 2009. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

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Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the

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board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

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- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include

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any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;

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- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

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(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) *Alterations to constitutional documents*

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) *Alteration of capital*

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

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(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly

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authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

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A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

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- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration

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and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

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(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the 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 authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof 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. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

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Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

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If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

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(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

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(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company’s operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

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The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company’s memorandum or articles of

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association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company’s memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company’s affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company’s capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company’s memorandum and articles of association.

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(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 14 August 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

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(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company’s Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the

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property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members’ voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company’s affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator’s duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company’s liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company’s articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court

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within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation

Our Company was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on August 2, 2007. Our Company has established a place of business in Hong Kong at Suite 2001, 20/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as an overseas company under Part XI of the Companies Ordinance on June 16, 2008. Mr. Kwok Ying Shing and Mr. Cheung Hung Kwong have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in Cayman Islands, it operates subject to the Companies Law and to its constitution, which comprises a memorandum of association and the articles of association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix VI to this document.

2. Change in share capital

The authorized share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each.

On August 2, 2007, one subscriber Share was allotted nil paid to the initial subscriber and transferred to Mr. Kwok Chun Wai who in turn transferred the subscriber Share to Da Chang on the same date.

On August 8, 2007, the Company allotted and issued (a) 32 nil paid Shares to Da Chang; (b) 34 nil paid Shares to Da Feng; and (c) 33 nil paid Shares to Da Zheng.

On August 16, 2007, the Company allotted and issued (a) 3,267 Shares credited as fully paid to Da Chang; (b) 3,366 Shares credited as fully paid to Da Feng; and (c) 3,267 Shares credited as fully paid to Da Zheng, and credited all the nil paid Shares then held by Da Chang, Da Fang and Da Zheng respectively as fully paid Shares.

On November 16, 2007, the Company allotted and issued an aggregate of 869.565217 Shares credited as fully paid to Longhill, CAGP, CAGP III, Baytree, RECP, PMA and Forum at an aggregate consideration of US\$200 million, particulars of which are as follows:

<u>Name of the investor</u>	<u>Number of Shares issued</u>
Longhill	217.391304
CAGP	138.755025
CAGP III	6.172511
Baytree	362.318841
RECP	65.217391
PMA	65.217391
Forum	14.492754
Total	<u>869.565217</u>

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Pursuant to the resolutions in writing of our Shareholders passed on [●], 2009 below, the authorized share capital of our Company was increased from HK\$380,000 to HK\$5,000,000,000 by the creation of an additional 49,996,200,000 Shares.

Save for aforesaid and as mentioned in the paragraph headed “Resolutions in writing of our Shareholders passed on [●], 2009” below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on [●], 2009

Pursuant to the written resolutions passed by our Shareholders on [●], 2009:

- (a) our Company approved and adopted the Articles of Association;
- (b) conditional upon [●] the authorized share capital of our Company was increased from HK\$380,000 to HK\$5,000,000,000 by the creation of an additional 49,996,200,000 Shares;
- (c) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” under the section headed “Other information” in this Appendix, were approved and adopted and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and

4. Corporate reorganization

The companies comprising the Group underwent a reorganization. The Reorganization involved the following:

- (a) on July 23, 2007, Rui Jing was incorporated in the BVI;
- (b) on July 23, 2007, the Business Holding Companies, namely Jie Feng, Heng Chang, Guang Feng and Ye Chang were incorporated in the BVI;
- (c) on July 23, 2007 Chang Ye, Yuan Yuan, Da Hau, Tai He Xiang, Zheng Zhong Tian and Xie Mao, were incorporated in the BVI;
- (d) on July 25, 2007, Rong Hui, Dong Chang, Jin Chang and Dong Sheng were incorporated in the BVI;
- (e) on July 2006, 2007, Xie Mao was incorporated in the BVI;
- (f) on August 2, 2007, our Company was incorporated in the Cayman Islands;
- (g) on August 8, 2007, each of Chang Ye, Rong Hui, Yuan Yuan and Da Hua allotted and issued one ordinary share of US\$1.00 each, credited as fully paid, to Jie Feng at par in cash;
- (h) on August 8, 2007, each of Tai He Xiang and Zheng Zhong Tian allotted and issued one ordinary share of US\$1.00 each, credited as fully paid, to Heng Chang at par in cash;

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- (i) on August 8, 2007, each of Dong Chang, Jin Chang and Dong Sheng allotted and issued one ordinary share of US\$1.00 each, credited as fully paid, to Guang Feng at par in cash;
- (j) on August 8, 2007, Xiao Mao allotted and issued one ordinary share of US\$1.00 each, credited as fully paid, to Ye Chang at par in cash;
- (k) on August 16, 2007, each of Chang Ye, Rong Hui, Yuan Yuan and Da Hua allotted and issue one ordinary share of US\$1.00 each, credited as fully paid, to Jie Feng;
- (l) on August 16, 2007, each of Tai He Xiang and Zheng Zhong Tian allotted and issued one ordinary share of US\$1.00 each, credited as fully paid, to Heng Chang;
- (m) on August 16, 2007, Xiao Mao allotted and issued one ordinary share of US\$1.00 each, credited as fully paid, to Ye Chang;
- (n) on August 16, 2007, each of Jie Feng, Heng Chang, Guang Feng and Ye Chang allotted and issued one ordinary share of US\$1.00 each, credited as fully paid, to Rui Jing;
- (o) on August 16, 2007, Grow Ahead transferred 33,334 shares of HK\$1.00 each in the capital of Kaisa Holdings to Chang Ye in consideration of the allotment of 0.34 share of US\$1.00 each in Chang Ye to Jie Feng;
- (p) on August 16, 2007, Big Progress transferred 33,333 shares of HK\$1.00 each in the capital of Kaisa Holdings to Chang Ye in consideration of the allotment of 0.33 share of US\$1.00 each in Chang Ye to Jie Feng;
- (q) on August 16, 2007, Havewill Investments transferred 33,333 shares of HK\$1.00 each in the capital of Kaisa Holdings to Chang Ye in consideration of the allotment of 0.33 share of US\$1.00 each in Chang Ye to Jie Feng;
- (r) on August 16, 2007, Mr. Chen Gengxian transferred 4,500 shares of HK\$10.00 each in the capital of Regal Silver to Rong Hui in consideration of the allotment of 0.90 share of US\$1.00 each in Rong Hui to Jie Feng;
- (s) on August 16, 2007, Mr. Liu Qiang transferred 500 shares of HK\$10.00 each in the capital of Regal Silver to Rong Hui in consideration of the allotment of 0.10 share of US\$1.00 each in Rong Hui to Jie Feng;
- (t) on August 16, 2007, Woodland Height transferred 10,000 shares of HK\$1.00 each in the capital of Kaisa Technology to Yuan Yuan in consideration of the allotment of 1 share of US\$1.00 each in Yuan Yuan to Jie Feng;
- (u) on August 16, 2007, Mr. Kwok Chun Wai transferred 1 share of HK\$1.00 each in the capital of Cornwell Holdings to Da Hua in consideration of the allotment of 0.5 share of US\$1.00 each in Da Hua to Jie Feng;
- (v) on August 16, 2007, Mr. Kwok Ying Shing transferred 1 share of HK\$1.00 each in the capital of Cornwell Holdings to Da Hua in consideration of the allotment of 0.5 share of US\$1.00 each in Da Hua to Jie Feng;

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- (w) on August 16, 2007, Empire Glory transferred 67,000 shares of HK\$1.00 each in the capital of Woodland Height to Tai He Xiang in consideration of the allotment of 0.67 share of US\$1.00 each in Tai He Xiang, credited as fully paid at premium, to Heng Chang;
- (x) on August 16, 2007, Year Up transferred 33,000 shares of HK\$1.00 each in the capital of Woodland Height to Tai He Xiang in consideration of the allotment of 0.33 share of US\$1.00 each in Tai He Xiang, credited as fully paid at premium, to Heng Chang;
- (y) on August 16, 2007, Mr. Kwok Ying Chi transferred 1,000 shares of HK\$1.00 each in the capital of Success Take to Zheng Zhong Tian in consideration of the allotment of 0.01 share of US\$1.00 each in Zheng Zhong Tian, credited as fully paid at premium, to Heng Chang;
- (z) on August 16, 2007, Clever Cosmos transferred 99,000 shares of HK\$1.00 each in the capital of Success Take to Zheng Zhong Tian in consideration of the allotment of 0.99 share of US\$1.00 each in Zheng Zhong Tian, credited as fully paid at premium, to Heng Chang;
- (aa) on August 16, 2007, Speed Prosper transferred 3,400 shares of HK\$1.00 each in the capital of Leisure Land to Xie Mao in consideration of the allotment of 0.34 share of US\$1.00 each in Xie Mao, credited as fully paid at premium, to Ye Chang;
- (bb) on August 16, 2007, Year Up transferred 3,300 shares of HK\$1.00 each in the capital of Leisure Land to Xie Mao in consideration of the allotment of 0.33 share of US\$1.00 each in Xie Mao, credited as fully paid at premium, to Ye Chang;
- (cc) on August 16, 2007, Clever Cosmos 3,300 shares of HK\$1.00 each in the capital of Leisure Land in consideration of the allotment of 0.33 share of US\$1.00 each in Xie Mao, credited as fully paid at premium, to Ye Chang;
- (dd) on August 16, 2007, the Company acquired the entire issued share capital of Rui Jing from Da Chang, Da Feng and Da Zheng in consideration of the allotment and issue of 297 Shares, 306 Shares and 297 Shares to Da Chang, Da Feng and Da Zheng respectively and crediting as fully paid a total of 100 nil-paid Shares held by Da Chang, Da Feng and Da Zheng;
- (ee) on September 18, 2007, each of Zhan Zhang, Yi Qing and Yong Rui Xiang was incorporated in Hong Kong;
- (ff) on December 29, 2007, Kaisa Technology Company transferred the entire registered capital of Shenzhen Kaisa Technology to Kaisa Technology at a consideration HK\$12 million which was satisfied by the allotment and issue of one share of HK\$1.00 each in Kaisa Technology, credited as fully paid at premium, to Yuan Yuan in January 2008;
- (gg) on November 16, 2007, Jie Feng acquired the entire issued share capital of China Agriculture in consideration of the allotment and issue of one share in Jie Feng, credited as fully paid at premium, to Rui Jing;
- (hh) on November 16, 2007, Jie Feng acquired the entire issued share capital of Ace Start in consideration of the allotment and issue of one share in Jie Feng, credited as fully paid at premium, to Rui Jing;

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- (ii) on November 16, 2007, the Company allotted and issue an aggregate of 869,565,217 Shares to Longhill, CAGP, CAGP III, Baytree, RECP, PMA and Forum at a cash consideration of US\$200,000,000;
- (jj) on December 28, 2007, State Achieve transferred the entire registered capital of Huizhou Weitong to Yi Qing at a consideration of RMB109,200,000 which was satisfied by the allotment and issue of one share of HK\$1.00 each in Yi Qing, credited as fully paid at premium, to Jin Chang in January 2008;
- (kk) on December 28, 2007, State Achieve transferred the entire registered capital of Huizhou Canrong to Yi Qing at a consideration of RMB31,878,000 which was satisfied by the allotment and issue of one share of HK\$1.00 each in Yi Qing to Jin Chang, credited as fully paid at premium, in January 2008;
- (ll) on January 7, 2008, Kaisa Holdings transferred the entire registered capital of Shenzhen Wanyuchang to Yong Rui Xiang at a consideration of HK\$2 million [which was satisfied by the allotment and issue of one share of HK\$1.00 each in Yong Rui Xiang, credited as fully paid at premium, to Dong Sheng in January 2008]; and
- (mm) on November [●], 2009, Guang Feng transferred the entire issued share capital of Jin Chang to Jie Feng in consideration of an intercompany loan from Jie Feng to Guang Feng, credited as fully paid at premium, to Rui Jing.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountants’ Report in Appendix I to this document. The following sets out the changes to the share capital made by the subsidiary of our Company during the two years preceding the date of this document:

- (a) The registered capital of Shenzhen Kaisa Property was increased from RMB200 million to RMB730 million on December 13, 2007.
- (b) The registered capital of Shenzhen Kaisa Electronic was increased from HK\$5 million to HK\$390 million on January 4, 2008.
- (c) The registered capital of Shenzhen Leisure Land was increased from RMB5 million to RMB540 million on January 21, 2008.
- (d) The registered capital of Shenzhen Cornwell was increased from RMB10 million to RMB550 million on March 5, 2008.
- (e) The registered capital of Chengdu Kaisa Investment was increased from RMB10 million to RMB20 million on May 21, 2008.
- (f) The registered capital of Shanghai Xinwan was increased from RMB10 million to RMB60 million on May 23, 2008.

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- (g) The registered capital of Dongguan Yingtai was increased from RMB1 million to RMB10 million on May 28, 2008.
- (h) The registered capital of Sichuan Tianzi was increased from RMB10 million to RMB20 million on June 24, 2008.
- (i) The registered capital of Beijing Jinmao was reduced from RMB50 million to RMB24.4 million on July 9, 2008.
- (j) The registered capital of Shenzhen Taijian was increased from RMB8 million to RMB27 million on July 14, 2009.
- (k) The registered capital of Huizhou Huasheng was reduced from RMB183,673,470 to RMB60 million on July 20, 2009.
- (l) The registered capital of Jiangyin Taichang was increased from RMB20 million to RMB200 million on July 28, 2008.

Save for the subsidiaries mentioned in the Accountants’ Report in Appendix I to this document, our Company has no other subsidiaries.

Save as set out above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

6. Particulars of subsidiaries

The Group has interests in a number of major PRC subsidiaries. Set out below is a summary of the corporate information of these PRC subsidiaries:

(a) *Beijing Jinmao*

Date of Establishment	:	December 5, 2005
Place of Establishment	:	Beijing
Nature	:	Limited liability company
Registered Capital	:	RMB24,400,000 (fully paid up)
Shareholder	:	Shenzhen Cornwell (100%)

(b) *Beijing Kaisa*

Date of Establishment	:	August 6, 2009
Place of Establishment	:	Beijing
Nature	:	Limited liability company
Registered Capital	:	RMB1,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

(c) *Boluo Kaisa Property*

Date of Establishment	:	June 2, 2008
Place of Establishment	:	Huizhou
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

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(d) *Boluo Kaisa Zhiye*

Date of Establishment : June 2, 2008
 Place of Establishment : Huizhou
 Nature : Limited liability company
 Registered Capital : RMB10,000,000 (fully paid up)
 Shareholder : Huizhou Kaisa Property (100%)

(e) *Chengdu Kaisa Investment*

Date of Establishment : June 22, 2007
 Place of Establishment : Chengdu
 Nature : Limited liability company
 Registered Capital : RMB20,000,000 (fully paid up)
 Shareholder : Chengdu Kaisa Property (100%)

(f) *Chengdu Kaisa Property*

Date of Establishment : July 31, 2006
 Place of Establishment : Chengdu
 Nature : Limited liability company
 Registered Capital : RMB10,000,000 (fully paid up)
 Shareholder : Shenzhen Kaisa Property (100%)

(g) *Chengdu Kaisa Property Management*

Date of Establishment : January 30, 2008
 Place of Establishment : Chengdu
 Nature : Limited liability company
 Registered Capital : RMB3,000,000 (fully paid up)
 Shareholder : Shenzhen Kaisa Property Management (100%)

(h) *Chengdu Nanxing*

Date of Establishment : November 5, 2004
 Place of Establishment : Chengdu
 Nature : Limited liability company
 Registered Capital : RMB20,000,000 (fully paid up)
 Shareholder : Chengdu Kaisa Property (100%)

(i) *Chengdu Zhaoruijing*

Date of Establishment : January 29, 2008
 Place of Establishment : Chengdu
 Nature : Limited liability company
 Registered Capital : RMB2,000,000 (fully paid up)
 Shareholder : Shenzhen Zhaoruijing (100%)

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(j) *Dongguan Kaisa Property*

Date of Establishment : September 6, 2004
 Place of Establishment : Dongguan
 Nature : Limited liability company
 Registered Capital : RMB38,000,000 (fully paid up)
 Shareholder : Shenzhen Kaisa Property (100%)

(k) *Dongguan Kaisa Property Management*

Date of Establishment : July 18, 2007
 Place of Establishment : Dongguan
 Nature : Limited liability company
 Registered Capital : RMB2,500,000 (fully paid up)
 Shareholder : Shenzhen Kaisa Property Management (100%)

(l) *Dongguan Yingsheng*

Date of Establishment : March 3, 2006
 Place of Establishment : Dongguan
 Nature : Limited liability company
 Registered Capital : RMB10,000,000 (fully paid up)
 Shareholder : Dongguan Kaisa Property (100%)

(m) *Dongguan Yingtai*

Date of Establishment : January 4, 2007
 Place of Establishment : Dongguan
 Nature : Limited liability company
 Registered Capital : RMB10,000,000 (fully paid up)
 Shareholder : Dongguan Kaisa Property (100%)

(n) *Dongguan Yingyan*

Date of Establishment : July 4, 2008
 Place of Establishment : Dongguan
 Nature : Limited liability company
 Registered Capital : RMB10,000,000 (fully paid up)
 Shareholder : Dongguan Kaisa Property (80%)
 Dongguan Fenggang Yantian Enterprise Development
 Company (20%)

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(o) *Fenglong Group*

Date of Establishment	:	October 29, 1993
Place of Establishment	:	Shenzhen
Nature	:	Limited liability company
Registered Capital	:	RMB168,000,000 (fully paid up)
Shareholder	:	Shenzhen Jililong (55%) 飛達集團有限公司 (Fitter Holdings Limited) (44%) 深圳發展銀行深圳寶安支行 (Shenzhen Development Bank Baoan Branch) (1%)

(p) *Guangdong Kaisa Property*

Date of Establishment	:	July 12, 2007
Place of Establishment	:	Guangzhou
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

(q) *Guangzhou Jiasui*

Date of Establishment	:	May 31, 2006
Place of Establishment	:	Guangzhou
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Shenzhen Jililong (100%)

(r) *Guangzhou Jinmao Property*

Date of Establishment	:	October 27, 2005
Place of Establishment	:	Guangzhou
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Beijing Jinmao (100%)

(s) *Guangzhou Jinmao Property Management*

Date of Establishment	:	June 22, 2006
Place of Establishment	:	Guangzhou
Nature	:	Limited liability company
Registered Capital	:	RMB5,000,000 (fully paid up)
Shareholder	:	Shenzhen Leisure Land (100%)

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(t) *Guangzhou Zhaoruijing*

Date of Establishment	:	December 11, 2007
Place of Establishment	:	Guangzhou
Nature	:	Limited liability company
Registered Capital	:	RMB2,000,000 (fully paid up)
Shareholder	:	Shenzhen Zhaoruijing (100%)

(u) *Huidongxian Dongsheng*

Date of Establishment	:	March 12, 2007
Place of Establishment	:	Huizhou
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	HK\$20,000,000 (fully paid up)
Shareholder	:	China Agriculture (100%)

(v) *Huidongxian Kaisa*

Date of Establishment	:	November 20, 2007
Place of Establishment	:	Huizhou
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

(w) *Huizhou Canrong*

Date of Establishment	:	January 14, 1994
Place of Establishment	:	Huizhou
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	HK\$31,878,000 (fully paid up)
Shareholder	:	Yi Qing (100%)

(x) *Huizhou Huasheng*

Date of Establishment	:	August 29, 2007
Place of Establishment	:	Huizhou
Nature	:	Limited liability company
Registered Capital	:	RMB60,000,000 (fully paid up)
Shareholder	:	Huizhou Kaisa Property (65%) Shenzhen Kaisa Property (35%)

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(y) *Huizhou Jiabo*

Date of Establishment	:	September 14, 2007
Place of Establishment	:	Huizhou
Nature	:	Limited liability company
Registered Capital	:	RMB1,000,000 (fully paid up)
Shareholder	:	Dongguan Kaisa Property (90%) Dongguan Yingsheng (10%)

(z) *Huizhou Jinhu*

Date of Establishment	:	March 26, 1993
Place of Establishment	:	Huizhou
Nature	:	Limited liability company
Registered Capital	:	RMB51,480,000 (fully paid up)
Shareholder	:	Huizhou Kaisa Property (100%)

(aa) *Huizhou Jinhu Entertainment Park*

Date of Establishment	:	June 11, 1993
Place of Establishment	:	Huizhou
Nature	:	Sino-foreign cooperative enterprise
Registered Capital	:	US\$4,800,000 (fully paid up)
Shareholder	:	Yi Qing (64%) Shenzhen Kaisa Electronic (36%)

(bb) *Huizhou Jinhu Resort Village*

Date of Establishment	:	June 2, 1993
Place of Establishment	:	Huizhou
Nature	:	Sino-foreign cooperative enterprise
Registered Capital	:	US\$12,000,000 (fully paid up)
Shareholder	:	Yi Qing (64%) Shenzhen Kaisa Electronic (36%)

(cc) *Huizhou Kaisa Infrastructure*

Date of Establishment	:	February 2, 2008
Place of Establishment	:	Huizhou
Nature	:	Sino-foreign equity joint venture
Registered Capital	:	US\$98,000,000 (<i>Note</i>)
Shareholder	:	Kaisa Holdings (80%) Shenzhen Kaisa Property (20%)

Note: Shenzhen Kaisa Property has paid up its first installment of registered capital of US\$11,534,690.58. Kaisa Holdings will pay up its first installment of registered capital on or before December 31, 2009. The remaining registered capital will be paid up on or before December 31, 2010.

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(dd) *Huizhou Kaisa Property*

Date of Establishment	:	January 29, 2007
Place of Establishment	:	Huizhou
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

(ee) *Huizhou Kaisa Road*

Date of Establishment	:	February 2, 2008
Place of Establishment	:	Huizhou
Nature	:	Sino-foreign equity joint venture
Registered Capital	:	US\$50,000,000 (<i>Note</i>)
Shareholder	:	Kaisa Holdings (80%) Shenzhen Kaisa Property (20%)

Note: The first installment of registered capital of US\$40,000,000 has been paid up by Kaisa Holdings. Shenzhen Kaisa Property will pay its first installment of registered capital on or before June 30, 2010 and will pay its remaining registered capital on or before December 31, 2010.

(ff) *Huizhou Kaisa Tangquan*

Date of Establishment	:	September 29, 2007
Place of Establishment	:	Huizhou
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Huizhou Kaisa Property (80%) 惠州市國營湯泉林場 (Huizhou State-owned Tangquan Linchang) (20%)

(gg) *Huizhou Kaisa Technology*

Date of Establishment	:	March 24, 2008
Place of Establishment	:	Huizhou
Nature	:	Sino-foreign joint venture enterprise
Registered Capital	:	US\$90,000,000 (<i>Note</i>)
Shareholder	:	Shenzhen Kaisa Property (30%) Kaisa Technology (70%)

Note: Shenzhen Kaisa Property has paid its first installment of registered capital of US\$6,442,560.99. Kaisa Technology will pay its first installment of registered capital on or before June 30, 2010. The remaining registered capital will be fully paid up by the end of June 2012.

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(hh) *Huizhou Weitong*

Date of Establishment	:	January 14, 1994
Place of Establishment	:	Huizhou
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	HK\$109,200,000 (fully paid up)
Shareholder	:	Yi Qing (100%)

(ii) *Huizhou Zhaoruijing*

Date of Establishment	:	April 7, 2009
Place of Establishment	:	Huizhou
Nature	:	Limited liability company
Registered Capital	:	RMB5,000,000 (fully paid up)
Shareholder	:	Shenzhen Zhaoruijing (100%)

(jj) *Hunan Kaisa Property*

Date of Establishment	:	August 22, 2007
Place of Establishment	:	Changsha
Nature	:	Limited liability company
Registered Capital	:	RMB20,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

(kk) *Hunan Kaisa Zhiye*

Date of Establishment	:	September 14, 2007
Place of Establishment	:	Changsha
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	HK\$100,000,000 (fully paid up)
Shareholder	:	Kaisa Holdings (100%)

(ll) *Jiangyin Taichang*

Date of Establishment	:	November 22, 2007
Place of Establishment	:	Jiangyin
Nature	:	Limited liability company
Registered Capital	:	RMB200,000,000 (fully paid up)
Shareholder	:	Guangdong Kaisa Property (100%)

(mm) *Shenzhen Jinshawan*

Date of Establishment	:	June 17, 1997
Place of Establishment	:	Shenzhen
Nature	:	Limited liability company
Registered Capital	:	RMB50,000,000 (fully paid up)
Shareholder	:	Shenzhen Leisure Land (100%)

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(nn) *Shanghai Kaisa Investment*

Date of Establishment	:	March 27, 2008
Place of Establishment	:	Shanghai
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	US\$2,000,000 (fully paid up)
Shareholder	:	Kaisa Holdings (100%)

(oo) *Shanghai Xinwan*

Date of Establishment	:	January 17, 2007
Place of Establishment	:	Shanghai
Nature	:	Limited liability company
Registered Capital	:	RMB60,000,000 (fully paid up)
Shareholder	:	Guangdong Kaisa Property (100%)

(pp) *Shenyang Kaisa Property*

Date of Establishment	:	November 7, 2007
Place of Establishment	:	Shenyang
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	HK\$370,000,000 (<i>Note</i>)
Shareholder	:	Kaisa Holdings (100%)

Note: The registered capital of Shenyang Kaisa Property in the amount of HK\$370,000,000 will be paid up within required timeframe on or before June 30, 2010.

(qq) *Shenyang Woodland Height*

Date of Establishment	:	November 20, 2007
Place of Establishment	:	Shenyang
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	HK\$370,000,000 (<i>Note</i>)
Shareholder	:	Kaisa Holdings (100%)

Note: The registered capital of Shenyang Woodland Height in the amount of HK\$370,000,000 will be fully paid up within required timeframe on or before June 30, 2010.

(rr) *Shenzhen Chuangzhan*

Date of Establishment	:	November 17, 2000
Place of Establishment	:	Shenzhen
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

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(ss) *Shenzhen Cornwell*

Date of Establishment	:	August 23, 2004
Place of Establishment	:	Shenzhen
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	RMB550,000,000 (fully paid up)
Shareholder	:	Cornwell Holdings (100%)

(tt) *Shenzhen Daye*

Date of Establishment	:	January 26, 2007
Place of Establishment	:	Shenzhen
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

(uu) *Shenzhen Jiachangxin Investment*

Date of Establishment	:	November 14, 2006
Place of Establishment	:	Shenzhen
Nature	:	Limited liability company
Registered Capital	:	RMB204,680,000 (fully paid up)
Shareholder	:	Shenzhen Cornwell (100%)

(vv) *Shenzhen Jililong*

Date of Establishment	:	March 21, 1997
Place of Establishment	:	Shenzhen
Nature	:	Sino-foreign equity joint venture
Registered Capital	:	RMB12,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (75%) Kaisa Holdings (25%)

(ww) *Shenzhen Kaisa Electronic*

Date of Establishment	:	May 28, 2001
Place of Establishment	:	Shenzhen
Nature:	:	Wholly foreign-owned enterprise
Registered Capital	:	HK\$390,000,000 (fully paid up)
Shareholder	:	Kaisa Holdings (100%)

(xx) *Shenzhen Kaisa Property*

Date of Establishment	:	June 3, 1999
Place of Establishment	:	Shenzhen
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	RMB730,000,000 (fully paid up)
Shareholder	:	Kaisa Holdings (100%)

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(yy) *Shenzhen Kaisa Property Management*

Date of Establishment	:	October 20, 1999
Place of Establishment	:	Shenzhen
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	RMB5,000,000 (fully paid up)
Shareholder	:	Kaisa Holdings (100%)

(zz) *Shenzhen Kaisa Technology*

Date of Establishment	:	July 27, 2001
Place of Establishment	:	Shenzhen
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	HK\$12,000,000 (fully paid up)
Shareholder	:	Kaisa Technology (100%)

(aaa) *Shenzhen Leisure Land*

Date of Establishment	:	May 23, 2005
Place of Establishment	:	Shenzhen
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	RMB540,000,000 (fully paid up)
Shareholder	:	Leisure Land (100%)

(bbb) *Shenzhen Regal Silver*

Date of Establishment	:	March 26, 2004
Place of Establishment	:	Shenzhen
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Regal Silver (100%)

(ccc) *Shenzhen Success Take*

Date of Establishment	:	February 15, 2004
Place of Establishment	:	Shenzhen
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Success Take (100%)

(ddd) *Shenzhen Taijian*

Date of Establishment	:	July 19, 2007
Place of Establishment	:	Shenzhen
Nature	:	Limited liability company
Registered Capital	:	RMB27,000,000 (fully paid up)
Shareholder	:	Shenzhen Wanyuchang (100%)

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(eee) *Shenzhen Wanyuchang*

Date of Establishment	:	October 26, 2001
Place of Establishment	:	Shenzhen
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	HK\$2,000,000 (fully paid up)
Shareholder	:	Yong Rui Xiang (100%)

(fff) *Shenzhen Wanyuhua*

Date of Establishment	:	July 11, 2008
Place of Establishment	:	Shenzhen
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	RMB1,000,000 (fully paid up)
Shareholder	:	China Manfort

(ggg) *Shenzhen Woodland Height*

Date of Establishment	:	October 13, 2003
Place of Establishment	:	Shenzhen
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Woodland Height (100%)

(hhh) *Shenzhen Xingwoer*

Date of Establishment	:	January 29, 1999
Place of Establishment	:	Shenzhen
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Shenzhen Regal Silver (100%)

(iii) *Shenzhen Zhaoruijing*

Date of Establishment	:	July 19, 2004
Place of Establishment	:	Shenzhen
Nature	:	Limited liability company
Registered Capital	:	RMB1,000,000 (fully paid up)
Shareholder	:	Shenzhen Wanyuchang (100%)

(jjj) *Shenzhen Zhengchangtai*

Date of Establishment	:	June 13, 2007
Place of Establishment	:	Shenzhen
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Shenzhen Success Take (20%) Shenzhen Xingwoer (80%)

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(kkk) *Shenzhen Zhongwei*

Date of Establishment	:	August 31, 2005
Place of Establishment	:	Shenzhen
Nature	:	Limited liability company
Registered Capital	:	RMB13,480,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

(lll) *Sichuan Kaisa Zhiye*

Date of Establishment	:	May 16, 2007
Place of Establishment	:	Chengdu
Nature	:	Limited liability company
Registered Capital	:	RMB10,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

(mmm) *Sichuan Tianzi*

Date of Establishment	:	September 15, 2006
Place of Establishment	:	Chengdu
Nature	:	Sino-foreign joint venture
Registered Capital	:	RMB20,000,000 (fully paid up)
Shareholder	:	Sichuan Kaisa Zhiye (70%) Onfair Asia (30%)

(nnn) *Zhuhai Zhanda*

Date of Establishment	:	January 17, 2007
Place of Establishment	:	Zhuhai
Nature	:	Limited liability company
Registered Capital	:	RMB50,000,000 (fully paid up)
Shareholder	:	Shenzhen Kaisa Property (100%)

As disclosed above, the registered capitals of our PRC subsidiaries have been or will be paid up within the required timeframe. As advised by King and Wood, the Company’s PRC legal advisers, the Group is allowed to consolidate the assets and liabilities and the financial results of our PRC subsidiaries in the Accountants’ Report notwithstanding the outstanding registered capital disclosed above.

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B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of its subsidiaries within the two years preceding the date of this document and are or may be material:

- (a) an equity transfer agreement (in Chinese) dated November 28, 2007 between Ms. Peng Ailing, Mr. Zhan Qiongmeng and Shenzhen Cornwell pursuant to which the aforesaid individuals agreed to sell and Shenzhen Cornwell agreed to acquire the entire registered capital of Beijing Jinmao at a consideration of RMB50 million;
- (b) an equity transfer agreement (in Chinese) dated November 29, 2007 between Guangzhou Jinmao Property and Shenzhen Leisure Land pursuant to which Guangzhou Jinmao Property agreed to sell and Shenzhen Leisure Land agreed to acquire the entire registered capital in Guangzhou Jinmao Property Management at a consideration of RMB5 million;
- (c) an equity transfer agreement (in Chinese) dated November 29, 2007 between Mr. Zhan Qiongmeng and Beijing Jinmao pursuant to which Mr. Zhan Qiongmeng agreed to sell and Beijing Jinmao agreed to acquire 10% registered capital in Guangzhou Jinmao Property at a consideration of RMB1 million;
- (d) an equity transfer agreement (in Chinese) dated November 29, 2007 between Mr. Zhan Qiongmeng, Ms. Zhan Huihua and Chengdu Kaisa Property pursuant to which the aforesaid individuals agreed to sell and Chengdu Kaisa Property agreed to acquire the entire registered capital in Chengdu Nanxing at a consideration of RMB20 million;
- (e) an equity transfer agreement (in Chinese) dated November 30, 2007 between State Achieve and Yi Qing pursuant to which State Achieve agreed to sell and Yi Qing agreed to acquire the entire registered capital of Huizhou Weitong;
- (f) an equity transfer agreement (in Chinese) dated November 30, 2007 between State Achieve and Yi Qing pursuant to which State Achieve agreed to sell and Yi Qing agreed to acquire the entire registered capital of Huizhou Canrong;
- (g) an equity transfer agreements (in Chinese) dated December 1, 2007 between Mr. Lin Daohong and Shenzhen Kaisa Technology and an equity transfer agreement (in Chinese) dated December 1, 2007 between Mr. Zou De and Shenzhen Kaisa Technology pursuant to which the aforesaid individuals agreed to sell and Shenzhen Kaisa Technology agreed to acquire the entire registered capital in Dongguan Yingtai at a consideration of RMB1 million;
- (h) an equity transfer agreement (in Chinese) dated December 5, 2007 between Mr. Guo Tianlu and Shenzhen Wanyuchang pursuant to which Mr. Guo Tianlu agreed to sell and Shenzhen Wanyuchang agreed to acquire the entire registered capital in Shenzhen Taijian at a consideration of RMB8 million;

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- (i) an equity transfer agreement (in Chinese) dated December 12, 2007 between Mr. Guo Ying Long, Mr. Guo Ying Guang and Shenzhen Wanyuchang pursuant to which the aforesaid individuals agreed to sell and Shenzhen Wanyuchang agreed to acquire the entire registered capital in Shenzhen Zhaoruijing at a consideration of RMB1 million;
- (j) a share purchase agreement dated October 21, 2009, between Da Chang, Da Feng, Da Zheng, the Investor Shareholders and the Company, which amends a share purchase agreement dated November 7, 2007, between Da Chang, Da Feng, Da Zheng, the Investor Shareholders and the Company, pursuant to which Da Chang, Da Feng and Da Zheng agreed to sell and the Investor Shareholders agreed to purchase an aggregate of 434.782609 Shares at an aggregate consideration of US\$100 million;
- (k) a credit agreement dated October 24, 2009 between, among others, the Company, Da Chang, Da Feng, Da Zheng and CCS in respect of the US\$200 million term loan facility which amends and restates a credit agreement dated September 12, 2007 between, among others, the Company, Da Chang, Da Feng, Da Zheng and CSS, and which in turn amends and restates a credit agreement dated August 24, 2007 between, among others, the Company, Da Chang, Da Feng, Da Zheng and CSS in respect of the US\$25,000,000 term loan facility;
- (l) the tranche A warrant instrument dated October 24, 2009, between the Company, Da Chang, Da Feng and Da Zheng in respect of the Tranche A Warrants which amends and restates the tranche A warrant instrument dated September 12, 2007, between the Company, Da Chang, Da Feng and Da Zheng in respect of the Tranche A Warrants;
- (m) the tranche B warrant instrument dated October 24, 2009, between the Company, Da Chang, Da Feng and Da Zheng in respect of the Tranche B Warrants which amends and restates the tranche B warrant instrument dated September 12, 2007, between the Company, Da Chang, Da Feng and Da Zheng in respect of the Tranche B Warrants;
- (n) the deed of indemnity dated [●], 2009 given by the indemnifiers named therein in favor of our Company and its subsidiaries in respect of, amongst others, Hong Kong estate duty, taxation and other indemnities referred to in the sub-section headed “Estate duty, tax and other indemnities” in this Appendix; and
- (o) the deed of non-competition dated [●], 2009 between each of the Controlling Shareholders in favour of our Company pursuant to which each of the Controlling Shareholders has unconditionally undertaken to our Company that he/it will not directly or indirectly participate in, hold any right or interest, or otherwise be involved in, any business which may be in competition with our businesses and those of our subsidiaries.

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2. Intellectual property rights of the Group

(a) *Trademarks*

- (i) As at the Latest Practicable Date, the Group has applied for the registration of the following trademarks:

<u>Trademark</u>	<u>Registered owner</u>	<u>Application number</u>	<u>Application date</u>	<u>Class (Note)</u>	<u>Place of application</u>
佳兆業.	Shenzhen Kaisa Property	6056190	May 18, 2007	1	PRC
佳兆業.	Shenzhen Kaisa Property	6056189	May 18, 2007	2	PRC
佳兆業.	Shenzhen Kaisa Property	6056188	May 18, 2007	3	PRC
佳兆業.	Shenzhen Kaisa Property	6056187	May 18, 2007	4	PRC
佳兆業.	Shenzhen Kaisa Property	6056707	May 18, 2007	5	PRC
佳兆業.	Shenzhen Kaisa Property	6056708	May 18, 2007	6	PRC
佳兆業.	Shenzhen Kaisa Property	6056709	May 18, 2007	7	PRC
佳兆業.	Shenzhen Kaisa Property	6056710	May 18, 2007	8	PRC
佳兆業.	Shenzhen Kaisa Property	6056711	May 18, 2007	9	PRC
佳兆業.	Shenzhen Kaisa Property	6056712	May 18, 2007	10	PRC
佳兆業.	Shenzhen Kaisa Property	6056713	May 18, 2007	11	PRC
佳兆業.	Shenzhen Kaisa Property	6056714	May 18, 2007	12	PRC
佳兆業.	Shenzhen Kaisa Property	6056715	May 18, 2007	13	PRC
佳兆業.	Shenzhen Kaisa Property	6056716	May 18, 2007	14	PRC
佳兆業.	Shenzhen Kaisa Property	6056697	May 18, 2007	15	PRC
佳兆業.	Shenzhen Kaisa Property	6056698	May 18, 2007	16	PRC
佳兆業.	Shenzhen Kaisa Property	6056699	May 18, 2007	17	PRC
佳兆業.	Shenzhen Kaisa Property	6056700	May 18, 2007	18	PRC
佳兆業.	Shenzhen Kaisa Property	6056701	May 18, 2007	19	PRC
佳兆業.	Shenzhen Kaisa Property	6056702	May 18, 2007	20	PRC
佳兆業.	Shenzhen Kaisa Property	6056703	May 18, 2007	21	PRC
佳兆業.	Shenzhen Kaisa Property	6056704	May 18, 2007	22	PRC
佳兆業.	Shenzhen Kaisa Property	6056705	May 18, 2007	23	PRC
佳兆業.	Shenzhen Kaisa Property	6056706	May 18, 2007	24	PRC
佳兆業.	Shenzhen Kaisa Property	6056687	May 18, 2007	25	PRC
佳兆業.	Shenzhen Kaisa Property	6056688	May 18, 2007	26	PRC
佳兆業.	Shenzhen Kaisa Property	6056689	May 18, 2007	27	PRC
佳兆業.	Shenzhen Kaisa Property	6056690	May 18, 2007	28	PRC
佳兆業.	Shenzhen Kaisa Property	6056691	May 18, 2007	29	PRC
佳兆業.	Shenzhen Kaisa Property	6056692	May 18, 2007	30	PRC
佳兆業.	Shenzhen Kaisa Property	6056693	May 18, 2007	31	PRC
佳兆業.	Shenzhen Kaisa Property	6056694	May 18, 2007	32	PRC
佳兆業.	Shenzhen Kaisa Property	6056695	May 18, 2007	33	PRC
佳兆業.	Shenzhen Kaisa Property	6056696	May 18, 2007	34	PRC
佳兆業.	Shenzhen Kaisa Property	6056676	May 18, 2007	35	PRC
佳兆業.	Shenzhen Kaisa Property	6056678	May 18, 2007	36	PRC
佳兆業.	Shenzhen Kaisa Property	6056679	May 18, 2007	37	PRC
佳兆業.	Shenzhen Kaisa Property	6056680	May 18, 2007	38	PRC
佳兆業.	Shenzhen Kaisa Property	6056681	May 18, 2007	39	PRC
佳兆業.	Shenzhen Kaisa Property	6056682	May 18, 2007	40	PRC
佳兆業.	Shenzhen Kaisa Property	6056683	May 18, 2007	41	PRC
佳兆業.	Shenzhen Kaisa Property	6056684	May 18, 2007	42	PRC
佳兆業.	Shenzhen Kaisa Property	6056685	May 18, 2007	43	PRC
佳兆業.	Shenzhen Kaisa Property	6056686	May 18, 2007	44	PRC
佳兆業.	Shenzhen Kaisa Property	6056667	May 18, 2007	45	PRC
	Shenzhen Kaisa Property	6056225	May 18, 2007	1	PRC

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<u>Trademark</u>	<u>Registered owner</u>	<u>Application number</u>	<u>Application date</u>	<u>Class</u> <i>(Note)</i>	<u>Place of application</u>
	Shenzhen Kaisa Property	6056224	May 18, 2007	2	PRC
	Shenzhen Kaisa Property	6056223	May 18, 2007	3	PRC
	Shenzhen Kaisa Property	6056222	May 18, 2007	4	PRC
	Shenzhen Kaisa Property	6056221	May 18, 2007	5	PRC
	Shenzhen Kaisa Property	6056220	May 18, 2007	6	PRC
	Shenzhen Kaisa Property	6056219	May 18, 2007	7	PRC
	Shenzhen Kaisa Property	6056218	May 18, 2007	8	PRC
	Shenzhen Kaisa Property	6056217	May 18, 2007	9	PRC
	Shenzhen Kaisa Property	6056216	May 18, 2007	10	PRC
	Shenzhen Kaisa Property	6056215	May 18, 2007	11	PRC
	Shenzhen Kaisa Property	6056214	May 18, 2007	12	PRC
	Shenzhen Kaisa Property	6056213	May 18, 2007	13	PRC
	Shenzhen Kaisa Property	6056212	May 18, 2007	14	PRC
	Shenzhen Kaisa Property	6056211	May 18, 2007	15	PRC
	Shenzhen Kaisa Property	6056210	May 18, 2007	16	PRC
	Shenzhen Kaisa Property	6056209	May 18, 2007	17	PRC
	Shenzhen Kaisa Property	6056208	May 18, 2007	18	PRC
	Shenzhen Kaisa Property	6056207	May 18, 2007	19	PRC
	Shenzhen Kaisa Property	6056206	May 18, 2007	20	PRC
	Shenzhen Kaisa Property	6056205	May 18, 2007	21	PRC
	Shenzhen Kaisa Property	6056204	May 18, 2007	22	PRC
	Shenzhen Kaisa Property	6056203	May 18, 2007	23	PRC
	Shenzhen Kaisa Property	6056202	May 18, 2007	24	PRC
	Shenzhen Kaisa Property	6056201	May 18, 2007	25	PRC
	Shenzhen Kaisa Property	6056200	May 18, 2007	26	PRC
	Shenzhen Kaisa Property	6056199	May 18, 2007	27	PRC
	Shenzhen Kaisa Property	6056198	May 18, 2007	28	PRC
	Shenzhen Kaisa Property	6056197	May 18, 2007	29	PRC
	Shenzhen Kaisa Property	6056186	May 18, 2007	30	PRC
	Shenzhen Kaisa Property	6056185	May 18, 2007	31	PRC

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<u>Trademark</u>	<u>Registered owner</u>	<u>Application number</u>	<u>Application date</u>	<u>Class (Note)</u>	<u>Place of application</u>
	Shenzhen Kaisa Property	6056184	May 18, 2007	32	PRC
	Shenzhen Kaisa Property	6056183	May 18, 2007	33	PRC
	Shenzhen Kaisa Property	6056182	May 18, 2007	34	PRC
	Shenzhen Kaisa Property	6056181	May 18, 2007	35	PRC
	Shenzhen Kaisa Property	6056180	May 18, 2007	36	PRC
	Shenzhen Kaisa Property	6056179	May 18, 2007	37	PRC
	Shenzhen Kaisa Property	6056178	May 18, 2007	38	PRC
	Shenzhen Kaisa Property	6056177	May 18, 2007	39	PRC
	Shenzhen Kaisa Property	6056196	May 18, 2007	40	PRC
	Shenzhen Kaisa Property	6056195	May 18, 2007	41	PRC
	Shenzhen Kaisa Property	6056194	May 18, 2007	42	PRC
	Shenzhen Kaisa Property	6056193	May 18, 2007	43	PRC
	Shenzhen Kaisa Property	6056192	May 18, 2007	44	PRC
	Shenzhen Kaisa Property	6056191	May 18, 2007	45	PRC

- (ii) As at the [Latest Practicable Date], the Group has registered the following trademarks:

<u>Trademark</u>	<u>Registered owner</u>	<u>Registration number</u>	<u>Class (Note)</u>	<u>Validity Period</u>	<u>Place of application</u>
	Kaisa Holdings	300302417	37	27 February 2005 to 26 February 2015	Hong Kong
	Kaisa Holdings	300302417	37	27 February 2005 to 26 February 2015	Hong Kong

Notes:

Class 1: Chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.

Class 2: Paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colorants; mordants; raw natural resins; metals in foil and powder form for painters, decorators, printers and artists.

Class 3: Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.

Class 4: Industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants; candles and wicks for lighting.

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- Class 5: Pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.
- Class 6: Common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores.
- Class 7: Machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs.
- Class 8: Hand tools and implements (hand-operated); cutlery; side arms; razors.
- Class 9: Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.
- Class 10: Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopedic articles; suture materials.
- Class 11: Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.
- Class 12: Vehicles; apparatus for locomotion by land, air or water.
- Class 13: Firearms; ammunition and projectiles; explosives; fireworks.
- Class 14: Precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments.
- Class 15: Musical instruments.
- Class 16: Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.
- Class 17: Rubber, gutta-percha, gum, asbestos, mica and goods made from these materials and not included in other classes; plastics in extruded form for use in manufacture; packing, stopping and insulating materials; flexible pipes, not of metal.
- Class 18: Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery.

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- Class 19: Building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.
- Class 20: Furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.
- Class 21: Household or kitchen utensils and containers; combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steelwool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.
- Class 22: Ropes, string, nets, tents, awnings, tarpaulins, sails, sacks and bags (not included in other classes); padding and stuffing materials (except of rubber or plastics); raw fibrous textile materials.
- Class 23: Yarns and threads, for textile use.
- Class 24: Textiles and textile goods, not included in other classes; bed and table covers.
- Class 25: Clothing, footwear, headgear.
- Class 26: Lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles; artificial flowers.
- Class 27: Carpets, rugs, mats and matting, linoleum and other materials for covering existing floors; wall hangings (non-textile).
- Class 28: Games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
- Class 29: Meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs, milk and milk products; edible oils and fats.
- Class 30: Coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery, ices; honey, treacle; yeast, baking-powder; salt, mustard; vinegar, sauces (condiments); spices; ice.
- Class 31: Agricultural, horticultural and forestry products and grains not included in other classes; live animals; fresh fruits and vegetables; seeds, natural plants and flowers; foodstuffs for animals, malt.
- Class 32: Beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages.
- Class 33: Alcoholic beverages (except beers).
- Class 34: Tobacco; smokers' articles; matches.
- Class 35: Advertising; business management; business administration; office functions.
- Class 36: Insurance; financial affairs; monetary affairs; real estate affairs.
- Class 37: Building construction; repair; installation services.
- Class 38: Telecommunications.

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Class 39: Transport; packaging and storage of goods; travel arrangement.

Class 40: Treatment of materials.

Class 41: Education; providing of training; entertainment; sporting and cultural activities.

Class 42: Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

Class 43: Services for providing food and drink; temporary accommodation.

Class 44: Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.

Class 45: Legal services; security services for the protection of property and individuals; personal and social services rendered by others to meet the needs of individuals.

(b) *Domain Names*

As at the [Latest Practicable Date], the Group is the registered proprietor of the following domain names in Hong Kong and PRC:

<u>Domain Name</u>	<u>Name of proprietor</u>	<u>Date of registration</u>	<u>Expiry date</u>
佳兆业集团.hk	中國萬網 (www.net.cn)	January 11, 2008	January 11, 2013
佳兆业集团.net	中國萬網 (www.net.cn)	January 11, 2008	January 11, 2013
佳兆业集团.com	中國萬網 (www.net.cn)	January 11, 2008	January 11, 2013
佳兆业集团.公司	中國萬網 (www.net.cn)	January 14, 2008	January 14, 2013
佳兆业集团.中国	中國萬網 (www.net.cn)	January 14, 2008	January 14, 2013
Kaisagroup.cn	中國萬網 (www.net.cn)	January 11, 2008	January 11, 2013
Kaisagroup.com.cn	中國萬網 (www.net.cn)	January 11, 2008	January 11, 2013
Kaisagroup.net	中國萬網 (www.net.cn)	January 11, 2008	January 11, 2013
Kaisagroup.com	中國萬網 (www.net.cn)	January 11, 2008	January 11, 2013
Kaisagroup.hk	中國萬網 (www.net.cn)	January 11, 2008	January 11, 2013

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C. FURTHER INFORMATION ABOUT DIRECTORS

[●]

(b) *Particulars of service contracts*

Each of the executive Directors will enter into a service contract with our Company for a term of 3 years commencing from [●], which may be terminated by not less than 3 months’ notice in writing served by either party on the other.

(c) *Directors’ remuneration*

Each of the executive Directors is entitled to a director’s fee. Each executive Director shall be paid a remuneration on the basis of 12 months in a year. In addition, each of the executive Directors is also entitled to a discretionary bonus. An executive Director may not vote on any resolution of our Directors regarding the amount of the bonus payable to him. The current annual director’s fees and remuneration of the executive Directors for the year ending December 31, 2009 are as follows.

Name	Annual Director’s Fee (HK\$)
Kwok Ying Shing	[●]
Kwok Ying Chi.	[●]
Sun Yuenan	[●]
Ye Jiansheng	[●]
Chen Gengxian	[●]
Jin Jane	[●]

The independent non-executive Directors have been appointed for a term of one year. Our Company intends to pay a director’s fee of HK\$300,000 per annum to each of the independent non-executive Directors.

Under the arrangement currently in force, the aggregate amount of emoluments payable by the Group to our Directors for the year ending December 31, 2009 will be approximately HK\$[●].

Further details of the terms of the above service contracts are set out in the paragraph headed “Particulars of service contracts” in the subsection headed “Directors” in this Appendix.

3. Agency fees or commissions received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital of any member of the Group.

4. Disclaimers

Save as disclosed herein:

(a) [●];

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- (b) none of our Directors or experts referred to under the heading “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of the Group.

D. OTHER INFORMATION

2. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on [●], 2009.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

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(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of [●]. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (q) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be

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appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders’ approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) *Price of Shares*

Subject to any adjustments made as described in paragraph (q) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) [●];
- (ii) [●]; and
- (iii) the nominal value of a Share.

(f) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial Shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (and in the event that the Board offers to grant options to an independent non-executive Director of the Company, the vote of such independent non-executive director shall not be counted for the purposes of approving such grant). If the Board proposes to grant options to a substantial Shareholder or any independent non-executive Director

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or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

[●]

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders’ meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
 - (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
 - (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
 - (iv) the information required under Rule 2.17 of the Listing Rules.
- (g) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our company’s annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules);
- (ii) the deadline for our company to publish an announcement of results of the Company for (i) any year or half-year period in accordance with the Listing Rules; and (ii) any quarterly or any other interim period, where the Company has elected to publish such results (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be), and where the grant of options is to a director of the company;
- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

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(h) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do.

(i) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(j) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation,

which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) *Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee’s service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

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(m) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

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(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

(q) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employee would be entitled to

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terminate his employment at common law or pursuant to any applicable laws or under the grantee’s service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

- (vi) the date on which the Board shall exercise our Company’s right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees’ approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

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(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) [●];
- (ii) [●];
- (iii) the approval of the rules of the Share Option Scheme by our Shareholders of [●] 2009 in general meeting; and
- (iv) [●].

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with [●] in force from time to time.

(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

[●]

3. Tax Indemnity

Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Kwok Chun Wai have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (n) of the sub-section headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which our Company or any member of the Group that may be subject on or before the Effective Date which might be payable by any member of the Group, and Hong Kong estate duty which might be payable by any member of the Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our Group on or before the Effective Date.

4. Litigation

As at the [Latest Practicable Date], [save as disclosed in this document], no member of the Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

5. [●]

[●]

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6. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$[20,000] and are payable by our Company.

7. [●]

[●]

8. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) *Cayman Islands*

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercise of any rights attaching to them. It is emphasized that none of our Company, our Directors or the other parties involved in [●] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

10. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

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11. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
- (b) save as disclosed in this document, there are no founder, management or deferred shares nor any debentures in our Company or any of its subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2009 (being the date to which the latest audited combined financial statements of the Group were made up);
- (d) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document;
- (e) a register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investors Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to [●];
- (f) no company within the Group is presently listed on any stock exchange or traded on any trading system; and
- (g) our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.