非供於美國、加拿大或日本公佈

香港交易及結算所有限公司及香港聯合交易所有限公司對本公告的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示，概不對因本公告全部或任何部份內容而產生或因倚賴該等內容而引致的任何損失承擔任何責任。

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Renhe Commercial Holdings Company Limited
人和商業控股有限公司*

(於開曼群島註冊成立的有限公司)

(股份代號：1387)

建議發行優先票據

本公司擬在國際發售優先票據，並由二零一零年四月三十日或前後起向亞洲、歐洲及美國的機構投資者進行一連串路演簡介會。為進行發行票據建議，本公司將向若干機構投資者提供本集團最新的企業及財務信息，包括但不限於最新的風險因素、本公司業務及項目概況、管理層對財務狀況及經營業績的討論與分析、業務策略及關聯方交易，而部份信息從未公開。本公告隨附該等近期資料的節錄，且本公司向機構投資者發放該等信息時，會差不多同時在本公司網站*www.renhebusiness.com*可供查閱該等信息的節錄部份。

發行票據建議能否完成須視乎市況和投資者反應而定。現建議由本公司在中國境外成立的若干附屬公司按優先償付方式擔保票據。票據的定價，包括本金總額、發售價及息率，將由聯席牽頭經辦人兼聯席賬簿管理人美銀美林、中銀國際、摩根大通證券和瑞銀透過入標定價方式釐定。票據條款一經落實，美銀美林、中銀國際、摩根大通證券、瑞銀和本公司等將訂立《購買協議》和其他附屬文件。本公司現擬將發行票據建議所得資金用作現有項目的資金、收購並開發新增項目，以及作為營運資金。本公司會因應市況調整收購發展計劃，並相應調配資金用途。

本公司已向新交所申請將票據上市。票據能否獲納入新交所，不應視為本公司、其附屬公司或票據價值之指標。本公司不申請票據在香港上市。

截至本公告發出之日為止，仍未為發行票據建議訂立任何具約束力的協議，故發行票據建議不一定得以實現。投資者及本公司股東在買賣本公司證券時，務須審慎行事。若《購買協議》得以簽署的，本公司將為發行票據建議另發公告。

發行票據建議

引言

本公司擬在國際發售優先票據，並由二零一零年四月三十日或前後起向亞洲、歐洲及美國的機構投資者進行一連串路演簡介會。為進行發行票據建議，本公司將向若干機構投資者提供本集團最新的企業及財務信息，包括但不限於最新的風險因素、本公司業務概況及項目概況、管理層對財務狀況及經營業績的討論與分析、業務策略及關聯方交易，而部份信息從未公開。本公告隨附該等近期資料的節錄，且本公司向機構投資者發放該等信息時，會差不多同時在本公司網站*www.renhebusiness.com*可供查閱該等信息的節錄部份。

發行票據建議能否完成須視乎市況和投資者反應而定。現建議由本公司在中國境外成立的若干附屬公司按優先償付方式擔保票據。建議發行的票據的定價，包括本金總額、發售價及息率，將由聯席牽頭經辦人兼聯席賬簿管理人美銀美林、中銀國際、摩根大通證券及瑞銀透過入標定價方式釐定。票據條款一經落實，美銀美林、中銀國際、摩根大通證券、瑞銀和本公司等將訂立《認購協議》和其他附屬文件，據此，美銀美林、中銀國際、摩根大通證券及瑞銀將成為票據的初步買家。

發行票據建議只會由美銀美林、中銀國際、摩根大通證券和瑞銀以要約形式：(i)在美國依據美國《一九三三年證券法》(經修訂版本)(「《證券法》」)第144A條豁免註冊登記的規定，向合資格機構買家提呈發售，以及(ii)遵照《證券法》的S規例在美國境外提呈發售。票據不在香港公開發售，亦不配售給本公司的關連人士。

進行發行票據建議的理由

本集團是重點經營和發展中國獨立地下服裝服飾批發及零售商城的中國地下商城運營及開發公司。本集團首個地下商城於一九九二年在黑龍江省哈爾濱市開業。憑藉本集團積累的營運經驗、在哈爾濱市的成功往績，本集團這些年來已在中國各大中城市迅速重複制其獨特業務，建立「地一大道」為全國知名的地下商城品牌。本集團目前在黑龍江省哈爾濱市經營四個地下商城（其中三個互相連接），另在廣東省廣州市和遼寧省瀋陽市各經營一個地下商城，總建築面積合計約238,618平方米，並為河南省鄭州市一個總建築面積約達94,180平方米的地下商城提供管理服務。另外，本集團正在全國二十個城市進行二十七個項目，已批准的總建築面積約達3,635,660平方米，目前正在建中或持作未來發展。本集團的項目全部交通便利，接連地鐵、鐵路、市內公車站、市外公車站等。本集團致力開拓業務，矢志成為全國首屈一指的地下商城營運商和開發商。

募集資金建議用途

本公司會將發行票據建議所得資金淨額用作現有項目的資金、收購並開發新增項目、以及作為營運資金。

本公司將審慎評估市況及其發展計劃，市況有變的或遇其他情況，本公司或會重新調配資金用途。

上市

本公司已向新交所申請將票據上市。票據能否獲納入新交所，不應視為本公司、其附屬公司或票據價值之指標。本公司不申請票據在香港上市。

一般事宜

截至本公告發出之日為止，仍未為發行票據建議訂立任何具約束力的協議，故發行票據建議不一定得以實現。投資者及本公司股東在買賣本公司證券時，務須審慎行事。若《購買協議》得以簽署的，本公司將為發行票據建議另發公告。

另行發表公告

票據的若干條件及條款，包括本金總額、發售價及利率目前仍尚待確定及可能有變。本公司將於票據的條件及條款最終落實後，就發行票據建議另行發表公告。

釋義

在本公告內，除非文義另有所指，否則以下詞彙一概具有下述含義：

「董事會」	指	本公司的董事會
「美銀美林」	指	Merrill Lynch International，發行票據建議的聯席牽頭經辦人兼聯席賬簿管理人之一
「中銀國際」	指	中銀國際亞洲有限公司，發行票據建議的聯席牽頭經辦人兼聯席賬簿管理人之一
「中國」	指	中華人民共和國，除文義另有所指，本公告內「中國」不包括香港、中國澳門特別行政區和台灣
「本公司」	指	人和商業控股有限公司，一家於開曼群島註冊成立的有限公司，其股份在聯交所主板上市
「關連人士」	指	具有《上市規則》賦予的涵義
「本集團」	指	本公司及其附屬公司
「香港」	指	中國香港特別行政區
「摩根大通證券」	指	J.P. Morgan Securities Ltd.，發行票據建議的聯席牽頭經辦人兼聯席賬簿管理人之一
「《上市規則》」	指	聯交所證券上市規則
「票據」	指	本公司將發行的優先票據
「發售價」	指	票據的最終售價
「中國」	指	中華人民共和國
「發行票據建議」	指	本公司在國際發售票據
「《認購協議》」	指	建議會由(其中)包括本公司、美銀美林、中銀國際、摩根大通證券、瑞銀和擔保人等各方就發行票據建議訂立的協議

「《證券法》」	指	美國《一九三三年證券法》(經修訂版本)
「新交所」	指	新加坡證券交易所
「聯交所」	指	香港聯合交易所有限公司
「瑞銀」	指	UBS AG,發行票據建議的聯席牽頭經辦人兼聯席賬簿管理人之一

承董事會命
人和商業控股有限公司
主席
戴永革

香港,二零一零年四月二十八日

於本公告日期,董事會成員包括:戴永革先生、張大濱先生、王宏放先生、王春蓉女士、王魯丁先生及林子敬先生為執行董事;秀麗•好肯女士、蔣梅女士、張興梅女士、何智恒先生及遲淼先生為非執行董事;范仁達先生、王勝利先生及王一夫先生為獨立非執行董事。

* *僅供識別*

Extract of Operating and Financial Data of Renhe Commercial Holdings Company Limited (As at April 28, 2010)

Risk Factors

You should carefully consider the following risk factors, together with all other information contained in this offering memorandum, before investing in the Notes. The development of underground civil air defense shelters for commercial use is subject to PRC laws and regulations that affect our business operations and prospects. See "– Legal and Regulatory Risks Relating to Our Industry." If any of the events described below occurs, our business, financial condition or results of operations could be materially and adversely affected.

Risks Relating to Our Business

Our strategy of expanding into new geographical areas may not succeed.

As part of our growth strategy, we plan to expand our business into new geographical areas in China such as Chongqing, Chengdu of Sichuan Province, Handan of Hebei Province and Putian of Fujian Province, where we have projects under development. We may also pursue selective strategic acquisition of projects if suitable opportunities arise. However, our experience in designing, constructing and operating underground shopping centers in Harbin, Guangzhou, Zhengzhou, Wuhan and Shenyang may not be applicable in other regions. We cannot assure you that we will be able to successfully leverage such experience to expand into other parts of the PRC. When we enter new markets, we may face intense competition from commercial center operators with more industry experience or established presences in the geographical areas to which we plan to expand and from other developers with similar expansion targets. In addition, expansion or acquisition requires a significant amount of capital and human resources, which may divert our available resources and the attention of our management from other matters. We cannot assure you that we can anticipate and resolve all of the problems that may occur during our expansion and failure to do so may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain rights to develop underground shopping centers on commercially acceptable terms or at all.

For the years ended December 31, 2007, 2008 and 2009, all of our revenue was derived from the leasing of and the transfer of operation rights for underground shop units in Harbin, Guangzhou, Zhengzhou, Wuhan and Shenyang. This revenue stream was dependent on the completion, and our ability to lease or transfer the operation rights, of our underground shop units. To grow our business, we plan to obtain operation rights of additional suitable underground sites for future developments. Our ability to identify and acquire additional suitable sites is subject to a number of factors, some of which are beyond our control, including, among others, policies and regulations of the central and relevant local governments relating to the construction and commercial use of underground civil air defense shelters. Our business, financial condition and results of operations may be adversely affected if we are unable to obtain adequate underground sites for development. In the PRC, the application for the development of underground civil air defense shelters for commercial use is subject to a strict review and approval process at the provincial or national level civil air defense offices. As a result, the policies of the PRC government relating to the development of underground civil air defense shelters may affect our ability to acquire suitable sites that we identify for development.

We cannot assure you that we will, in the future, be able to identify and acquire a sufficient number of sites which are suitable for development on commercially acceptable terms or at all. If we do not identify and acquire a sufficient number of sites which are suitable for development on commercially acceptable terms, it will result in uncertainties in our future development schedules, which in turn will have a material adverse effect on our growth and results of operations.

We may not be able to obtain all the permits and certificates and complete the pre-construction coordination on a timely manner to commence the development of our projects according to our development plan.

In the PRC, the application for the development of underground civil air defense shelters for commercial use is subject to a strict review and approval process at the provincial or national level civil air defense offices. The commencement of the construction of our projects following the government approval is also subject to the obtaining of various other certificates, permits and licenses from the PRC government. In addition, the construction of our underground projects beneath the roads of prime commercial areas is complicated and requires the cooperation of various government authorities and utility suppliers. See "Business – Our Principal Activities – Permits and Certificates" and "Business – Our Principal Activities – Pre-Construction Coordination."

All of our projects have received approvals for the projects (項目建議書批覆) from the competent PRC authorities, and Jingtian, our PRC legal advisor, has advised us that so long as we undergo the procedures and prepare the supporting documents as required by laws and regulations, there is no material legal impediment to us obtaining all approvals and permits from other government authorities in China for the construction of these projects. We also plan to actively initiate discussions with various government authorities and the relevant public utility suppliers in the cities where we operate to seek their cooperation according to our development plan.

Nevertheless, given the number of permits and certificates required, the parties that are involved, the scope of coordination and the capital available to us, these pre-construction application and coordination efforts are time-consuming and the actual amount of time needed to complete these procedures varies from one project to another, even for the projects in the same city. As a result, we cannot assure you that we will be able to implement our project development in accordance with our development plan or at all. Any delay in obtaining regulatory approvals or in completing the pre-construction coordination process may negatively affect the timetable of our projects and may materially and adversely affect our business, financial condition and results of operations.

We face significant development risks before we can complete a project and realize any benefits from that project.

Underground shopping center developments typically require substantial capital outlay during the construction period and may take at least six months before positive cash flows can be generated by transfer of operation rights and leasing of completed project developments, if at all. The amount of time and costs required to complete an underground project development may significantly increase due to many factors, including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may delay or prevent the completion of an underground project development and result in substantial cost overruns. We may commit significant time and other resources to a project but may be unable to complete it successfully, which could result in loss of some or all of our investment in that project. In addition, failure to complete an underground project development according to its original schedule or failure to complete a project may give rise to potential liabilities, and as a result, our returns on investments may be lower than originally expected.

Unpredictable underground conditions may cause difficulties for the construction and maintenance of our projects.

Most of the construction work for our projects is conducted underground, and therefore is subject to complicated underground conditions such as the geological structure of the site, the character of soil and the depth and complexity of the underground network of existing pipelines. For each of our projects, we engage professional geological survey firms to conduct the geological prospecting as required by law prior to our project design. However, we cannot assure you that such prospecting will reveal all underground conditions that are necessary for us to accurately evaluate the feasibility of the project and to prepare the budget for construction and maintenance. Any problems related to underground conditions that occur during construction or maintenance may result in additional costs for us or delay the completion date of our project. Furthermore, if there are any cultural and historical relics found in the underground sites of our projects, we must comply with the relevant laws and regulations to take protective measures, or even suspend or cease our project development. If any of these events occurs, the specific project developments concerned and our business, financial condition and results of operations will be materially and adversely affected.

A weakening of general economic conditions, especially in the wholesale and retail markets in the PRC, may adversely affect our lease income and proceeds from the transfer of operation rights.

Substantially all of our projects in operation are occupied by, and we expect that most of our future projects will be occupied by, tenants engaged in the wholesale and retail sales of apparel and accessories. Therefore, the success of our projects is and will continue to be highly dependent on the financial stability of our tenants. During the past several years, the apparel and accessories industries in the PRC grew rapidly as the disposable income of the general public increased. However, if the apparel and accessories industries in the PRC experience a slowdown in growth, our tenants could be negatively affected, which in turn could adversely impact the rents that we are able to charge and the vacancy rates of our shopping centers. Therefore, any prolonged downturn in the apparel and accessories industries in the PRC could have a material adverse effect on our business, financial condition and results of operations.

Our concentration in the wholesale and retail shopping center market means that we are subject to the risks that affect the retail environment in general, including the level of consumer spending, the willingness of wholesalers and retailers to lease space in our shopping centers, tenant bankruptcies, changes in economic conditions and consumer confidence. Any of these factors could adversely affect our business, financial condition and results of operations.

A majority of our leases will expire within one year, and we may be unable to renew these leases or find new tenants on a timely basis, or at all.

As of December 31, 2009, a majority of the lease agreements that we have with our tenants will expire within one year. As a result, our projects experience lease cycles in which a significant number of tenancies expire each year. These relatively short lease cycles expose us to rental market fluctuations. We may not be able to renew the lease agreements or find new tenants at rates equal to or higher than those of the expiring leases, or to find replacement tenants in time so as to minimize vacancy periods. If the rental price for our underground shopping centers decreases, or our existing tenants do not renew their lease agreements, or we are unable to find replacement tenants in time after the expiration of existing tenancies, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our lease income may not reflect the growth of the wholesale and retail markets for apparel and accessories in China in a timely manner.

As of December 31, 2009, approximately 9.8% of our lease agreements in term of the number of contracts had terms of over three years. These long term lease agreements contain either a fixed rent or a pre-determined maximum rate of increase of rent for each year during the lease term. Therefore, even if there is an increase in demand for store space and a corresponding increase in rental prices generally, we will not be able to charge higher rent than what is stipulated under these leases. As a result, our lease income may not reflect the growth of the wholesale and retail markets for apparel and accessories in China in a timely manner.

Our acquisition of existing projects exposes us to potential risks.

In addition to the development of new underground shopping centers by ourselves, we have also acquired existing underground projects and renovated them to be shopping centers similar to our existing ones. We acquired operation rights of six projects in Daqing, Dalian, Harbin and Weifang in July 2009. We may continue pursuing similar acquisitions of underground projects if attractive opportunities arise. However, our recent acquisitions of six projects and any future acquisitions exposes us to potential risks, including risks associated with unforeseen or hidden liabilities, failure to efficiently integrate the acquired projects into our operations, and the inability to generate sufficient revenue to cover the costs and expenses associated with the acquisitions. In addition, the cost synergies and revenue that we may expect to achieve from the acquired projects may not materialize. If any of these events happens, our business, financial condition and results of operations may be materially and adversely affected.

We may not have adequate resources to fund project developments, or to service our financing obligations.

The underground project development business requires substantial capital outlay during the construction period. We finance our project developments primarily through cash flow from operations. However, our ability to obtain additional financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows and general market conditions for capital raising in our industry. We cannot assure you that we will have sufficient cash flow available for project developments or that we will be able to obtain sufficient proceeds from rentals or operation rights transfers to fund project developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all. Our ability to arrange adequate financing for project developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. Failure to obtain funds on acceptable terms to finance project developments or failure to service our financing obligations may have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks relating to the performance of our independent contractors.

We engage independent contractors to provide various services for all of our project developments, including construction, engineering, equipment installation, electrical installation and interior decoration. In particular, all of our construction work in 2007, 2008 and 2009 was carried out by independent contractors. Contractors that can meet these criteria are limited. We cannot assure you that the services rendered by any of these independent contractors or their subcontractors will always be satisfactory or match the PRC government's requirements for underground civil air defense shelter facilities or our requirements for quality and safety. If the performance of any independent contractor is unsatisfactory, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and timing of the construction progress and our track record of completing our underground projects in a timely manner. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Our controlling shareholder is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions.

As of December 31, 2009, approximately 56.44% of our issued shares is beneficially owned by Mrs. Hawken Xiu Li. By maintaining such ownership, Mrs. Hawken is able to exercise substantial influence and control over our corporate policies, the appointment of directors and officers and decisions on corporate actions requiring shareholder approval. In addition, Mr. Dai Yongge, our Chief Executive Officer and Chairman, and Mrs. Zhang Xingmei, our non-executive director, are relatives of Mrs. Hawken and are able to exercise substantial control over our business. The strategic goals and interests of our controlling shareholder may not be aligned with our goals and interests, or those of Noteholders, and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base.

We generally provide guarantees for bank loans to the transferees of the operation rights of our shop units and consequently are liable to the banks if the transferees default on their loan repayment.

We generally provide guarantees for bank loans borrowed by the transferees of the operation rights of our shop units until they fully repay all of their outstanding loans with the commercial banks. The loans that we guarantee normally have a maturity of less than five years. The guarantees cover the full principal amount of loans that transferees of the operation rights of our shop units borrow to finance their purchases, which is up to approximately 70% of the total transfer price. We also make deposits as security for the repayment of the loans of our transferees. As of December 31, 2007, 2008 and 2009, we had guarantees in place on our transferees' borrowings in an aggregate outstanding amount of RMB169.0 million, RMB294.2 million and RMB980.2 million (US$143.6 million), respectively. As of the same dates, we had restricted bank deposits in an aggregate amount of RMB206.7 million, RMB129.1 million and RMB458.1 million (US$67.1 million), respectively.

If a transferee defaults on his or her loan, the bank may deduct the payment due from the funds that we have deposited and require us to immediately repay the entire outstanding balance pursuant to the guarantee. Jingtian, our PRC legal advisor, has advised us that under the relevant PRC laws and regulations, if the transferees default on their loan repayment and we undertake the repayment obligations as a guarantor, we are entitled to indemnification from the transferees. We may bring claims against the transferees to compensate us for the amount that we have paid as guarantor and ask the courts to freeze the transferees' assets, including the operation rights of the transferred shop units. However, it may be costly and time-consuming for us to pursue such claims, and courts might not grant us any compensation or return to us the operation rights. Moreover, even if a court does return the operation rights to us, if we are unable to transfer those operation rights to other buyers on a timely basis or at a price equal to or higher than the amount necessary to pay off the outstanding amount under the defaulting transferee's loan, our liquidity may be negatively affected, and we may suffer financial losses. In addition, if multiple transferees default on their loan payments simultaneously or in close succession, we may be required to make payments in significant amounts to banks to satisfy the obligations under these guarantees, which could adversely affect our financial condition.

Our cash pledged as security for the repayment of the loans provided to the transferees of our shop units negatively affects our liquidity.

We provided guarantees to banks and made deposits as security to help the transferees of shop units in Harbin and Guangzhou to finance their purchases. We have entered into agreements with various local banks in the PRC with respect to loans to the transferees of operation rights under which we provided guarantees and made restricted bank deposits as security for the repayment of the loans. Under the agreements, we are required to open restricted bank accounts with the respective local bank for the receipt of purchase money that is financed by bank loans, and the amount of the restricted cash that we are contractually required to pledge for each loan is equivalent to 10% or 15% of the principal amount of the loan depending on our agreement with the relevant banks. The restricted cash is released as, when and to the extent the transferee repays any portion of its loan.

These pledges of cash in restricted deposit accounts reduced the cash inflow from the transfers and negatively affected our liquidity. The balance of our restricted bank deposits increased significantly during 2009 and was RMB458.1 million (US$67.1 million) as of December 31, 2009. If we enter into similar arrangements to help our future transferees of the operation rights finance their purchases by depositing a portion of cash we receive from the transfer of operation rights, our cash flow from operating activities and liquidity will be negatively affected.

The terms on which bank loans to our transferees are available, if at all, may impair our ability to transfer operation rights of our shop units.

To help the transferees finance their purchases of the operation rights of our shop units, we have provided guarantees and restricted bank deposit as pledge to banks for loans they offer to the transferees. We may or may not continue this practice in the future. Most of the transferees who bought the operation rights of our shop units obtained bank loans to fund their purchases. An increase in interest rates may increase the cost of loan financing, thus reducing the attractiveness of bank loans as a source of financing shop unit purchases. In addition, the PRC government may take measures or commercial banks may impose conditions or otherwise modify their requirements in a manner that would make bank loan financing unavailable or unattractive to potential shop unit transferees. If there are changes in laws, regulations, policies and practices in China that prohibit companies like us from providing guarantees and other forms of security to banks in respect of loans offered to the transferees and no alternative guarantors are available, it may become more difficult for our shop unit transferees to obtain bank loans. If the availability or terms of bank loan financing is reduced or deteriorates, many of our prospective customers may find it less attractive to purchase our shop units and, as a result, our business, financial condition and results of operations could be adversely affected.

Our results of operations and financial performance may be harmed if we are not able to collect our trade receivables.

The amount of our trade receivables due from third parties increased significantly to RMB2,499.4 million (US$366.2 million) as of December 31, 2009 from RMB6.0 million as of December 31, 2007. Of this amount, RMB614.3 million (US$90.0 million) were amounts past due as of December 31, 2009. In addition, the average trade receivables turnover days increased from 6 days in 2007 to 216 days in each of 2008 and 2009. Our trade receivables due from third parties as of December 31, 2009 primarily related to our transfer of operation rights of shop units in Phases I to III of Harbin Project, Phase I of Guangzhou Project, Phase I of Shenyang, Phase VI of Harbin Project, Wuhan Hanzheng Street Project and Heilongjiang Renhe Spring Project (Youyi Road Section), where most of the transferees of the operation rights were in the process of completing the procedures for applying for the bank loans to fund their purchases. Because we expect that our revenue from the transfer of operation rights will continue to be a significant part of our revenue and that a majority of our transferees will depend on the bank loans to satisfy their payment obligations, any difficulties or delay in the loan application process by the transferees or rejections of the loan applications by the relevant banks, may have an adverse effect on our ability to collect our trade receivables and would harm our results of operations and financial performance.

In addition to the trade receivables due from third parties described above, as of December 31, 2009, we had a receivable from disposal of subsidiaries of RMB1,704.4 million (US$249.7 million) in connection with the disposal of our interest in Phase I of Zhengzhou Project. This amount represented the balance of payment which is due June 30, 2010 under the terms of the Sales and Purchase Agreement that we entered into with the purchaser. In addition, we had other receivables of RMB595.6 million as of December 31, 2009, of which RMB550.6 million (US$80.7 million) was owed to us by the offshore entities for Phase I of Zhengzhou Project. This used to be part of our inter-company financing arrangement and became our receivables when we disposed of our interest in Phase I of Zhengzhou Project. The amount is due June 30, 2010. If we are unable to collect these receivables, our results of operations and financial condition would be adversely affected.

Our financing costs could increase if interest rates and statutory reserve deposit ratio requirements for commercial banks increase.

We may consider bank loans as a financing source for our future development. Our financing costs and, consequently, our results of operations, will be affected by the benchmark lending rates published by the People's Bank of China ("PBOC"). Although the current PBOC benchmark one-year lending rate of 5.31% and one to three years lending rate of 5.40% are at a relatively low level, we cannot assure you that the PBOC will not raise lending rates in the future when we decide to obtain any bank borrowings in the PRC.

In addition, under PRC laws, commercial banks must hold a certain amount of funds in reserve against deposits made by their customers. As of March 31, 2010, this reserve requirement ratio for commercial banks was 16.5%. The reserve requirement refers to the amount of funds that banks must hold in reserve against deposits made by their customers. The increase in the bank reserve requirement ratio may negatively impact the amount of funds that the commercial banks in China may have available for extending loans to businesses, including us.

Our shop units are not assets which can be readily converted into cash, which could limit our ability to respond to adverse changes in economic and financial conditions.

Underground shop units held as investment properties constitute a substantial portion of our total assets. In response to changing economic and financial conditions, we may need to transfer the operation rights of such shop units and liquidate such assets. Although in the opinion of Jingtian, our PRC legal advisor, there are no legal restrictions on transferring the operation rights of our shop units, our ability to promptly transfer the operation rights of the shop units in our existing or future projects is limited because the market for the operation rights of underground shop units is not well-established. Hence, the transaction costs may be high and it will take time to liquidate our properties. The expenses associated with, and time needed for, liquidation of investment properties may depend on many factors, such as the availability of bank financing, interest rates and the supply and demand for underground shop units, which are beyond our control. We cannot predict whether we will, at the time we need to liquidate our properties, be able to transfer the operation rights of our shop units for the price or on the terms acceptable to us in a timely manner, or at all. We also cannot predict the amount of time needed to find a purchaser and to complete the transfer of operation rights.

We may not be successful in operating shopping centers used for wholesale and retail sales of non-apparel merchandise.
Our existing underground shopping centers in Harbin, Guangzhou and Shenyang are primarily operated as wholesale and retail centers for apparel and accessories. As part of our growth strategy, we may operate some of our future projects as shopping centers for other products such as electronic appliances, depending on the market conditions and the locations of the particular projects. Since we have little experience in operating shopping centers for the wholesale and retail sales of non-apparel merchandise, there is no assurance that we can transfer, or benefit from, our current experience when we develop and operate underground shopping centers focused on other merchandise. If we cannot successfully operate our future underground shopping centers for the wholesale and retail of non-apparel merchandise, our business, financial condition and results of operations could be adversely affected.

Our expansion plan may be affected by PRC regulations relating to acquisitions of domestic companies by foreign entities.
Effective as of September 8, 2006, foreign investors must comply with *the Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision)* (關於外國投資者併購境內企業的規定)(“M&A Provisions”), should they seek to purchase any equity interest of a domestic non-foreign invested company thereby changing the company into a foreign-invested enterprise. The M&A Provisions provide for the procedures for obtaining approvals of foreign investment projects in China, provided that the business scope of such foreign-invested enterprise must conform to *the Foreign Investment Industrial Guidance Catalogue* (外商投資產業指導目錄)(“Foreign Investment Catalogue”).

As the M&A Provisions only came into effect on September 8, 2006, our PRC legal advisor, Jingtian, has advised us that there are uncertainties as to how they will be interpreted or implemented. In July 2009, we acquired six projects in Harbin, Daqing, Dalian and Weifang. We or the owners of any domestic company that we may seek to purchase in the future may not be successful in obtaining all necessary approvals and completing all the relevant procedures under the M&A Provisions. In the event that the acquisition of domestic companies cannot be completed as part of our expansion plan, our business and future plan may be adversely affected.

Increasing competition in the PRC may adversely affect our business and financial condition.
We operate in a competitive industry. Our underground shopping centers typically are, and we expect will be, located in the commercial centers of selected cities in the PRC. There are usually numerous department stores or other shopping centers specializing in the distribution of apparel and other merchandise, either underground or above the ground, in the same area where each of our projects is located. The quantity and quality of competing shopping centers could materially and adversely affect our ability to rent shop units at our shopping centers and the rental price we charge our tenants. Additional comparable shopping centers built near our shopping centers could negatively affect our business by creating competition for customer traffic and creditworthy tenants. This could result in decreased revenue from tenants and may cause us to make additional capital expenditures for renovation and improvement of our facilities in order to compete effectively.

Moreover, in recent years, a few other companies have commenced underground shopping center development and operation in the PRC. Other competitive factors include operational efficiencies of competitors, competitive pricing strategies in the market, expansion by existing competitors, entry by new competitors into our current markets and adoption of our business models by our competitors. The increased intensity of the competition between underground project developers may result in increased costs for the acquisition of underground sites for development, an excess supply of underground shopping centers in certain regions of the PRC, a decrease in the leasing market prices and a slowdown in the rate at which new project developments will be approved by the relevant government authorities in China, any of which may adversely affect us. In addition, the commercial shopping center market in the PRC is rapidly changing. If we cannot respond to changes in market conditions of the relevant markets more swiftly or more effectively than our competitors, our business, financial condition and results of operations could be adversely affected.

Our revenue and profits grew significantly in the past few years and may not be indicative of our future performance.
For the years ended December 31, 2007, 2008 and 2009, our revenue was RMB366.5 million, RMB3,050.3 million and RMB4,162.9 million (US$609.9 million), respectively, and profit for the year

was RMB266.7 million, RMB1,903.0 million and RMB4,037.6 million (US$591.5 million), respectively. While we derived our revenue from lease income and proceeds from the transfer of operation rights for the shop units in our underground shopping centers, our profit was also affected by other income, such as net gain on disposal of subsidiaries, in any specified period. For the year ended December 31, 2009, we disposed our entire interest in our subsidiary holding Phase I of Zhengzhou Project to First Achieve Holdings Limited, an independent third party, for a total consideration of HK$2,765.4 million and recorded a net gain on disposal of subsidiaries of RMB1,906.8 million (US$279.3 million) in 2009, which contributed a significant portion of our profit for that year. We consider this type of disposal of equity interest in an offshore entity which indirectly holds underground shop units an alternative approach for us to transfer the operation rights of the shop units and may continue to conduct the transfer of our operation rights in the same manner in the future. In addition, in 2009 we transferred the operation rights with an aggregate GFA of 30,000 sq.m. in Phase I of Shenyang Project to an independent third party for a total consideration of RMB1,350 million. However, there is no assurance that similar transactions could be structured or completed on satisfactory terms in the future, or at all. As a result, our results of operations would be affected by the demand for leasing and purchasing of operation rights of our shop units and the price we are able to achieve. The demand for and pricing of our shop units are in turn, to a large extent, affected by the general conditions of the underground shopping center markets.

In addition, we recognize proceeds from the transfer of operation rights as revenue only upon the transfer of significant risks and rewards of the operation rights of shop units according to the relevant transfer agreements. Therefore, our revenue during any given period reflects the quantity of shop unit operation rights transferred during that period and are affected by any peaks or lows in our schedule for the transfer of shop units and may not be indicative of the actual demand for our shop units during that period. Our revenue and profit during any given period generally reflect investment decisions made by purchasers a significant time before that period, typically at least in the prior fiscal period. For the years ended December 31, 2007, 2008 and 2009, the revenue generated from the transfer of operation rights was RMB190.0 million, RMB2,868.2 million and RMB4,033.6 million (US$590.9 million), representing 51.8%, 94.0% and 96.9% of our total revenue for the same period, respectively. However, our development of new projects may not grow at the same pace as in the past. As a result, we believe that our operating results for any given period are not necessarily indicative of results that may be expected for any future period.

We may not be able to successfully manage our growth.

We have been rapidly expanding our operations in recent years and aim to continue to expand our presence to selected cities in China. As we continue to grow, we need to continuously improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. In order to fund our ongoing operations and our future growth, we also need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, contractors, service providers, lenders and other third parties. We also need to further strengthen our internal control and compliance functions in order to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We could experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding existing business and operations and training an increasing number of personnel to manage and operate the expanded business. In addition, our expansion plans could adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

We do not have any business interruption, disruption or litigation insurance, and any business disruption or litigation we experience might result in our incurring substantial costs and the diversion of our resources.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products and do not, to our knowledge, offer business interruption insurance. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, except for fire insurance and any insurance that may be required by our loan agreements, we do not have any business interruption, disruption or litigation insurance coverage for our operations in China. Any business disruption or litigation may result in our incurring substantial costs and the diversion of our resources.

Potential liability for environmental problems could result in substantial costs.
We are subject to a variety of laws and regulations concerning the protection of health and the environment. Although the environmental investigations conducted to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities, some of which may be material. More stringent requirements for environmental protection could be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations in China or fail to meet the expectations of society with regard to environmental issues, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, financial condition and results of operation.

We may incur liability for goods sold in our underground shopping centers that violate the intellectual property rights of others.
Although we have requested our tenants not to sell merchandise that could infringe intellectual property rights of third parties and have adopted certain measures designed to prevent such potential infringement, we may not be successful in preventing intellectual property infringement by our tenants. If our tenants sell goods which infringe intellectual property rights at our underground shopping centers, we, as the operator and manager of the shopping centers, may be involved in intellectual property litigation or administrative procedures and, as a result, our operating results and reputation may be harmed. Moreover, although most of our tenants have agreed to indemnify us against the liabilities arising from their sale of counterfeited merchandise in our shopping centers, there can be no assurance that we can successfully obtain such indemnity payments or that the indemnity payments will fully cover all of our costs associated with our liability.

We may not be able to register our trademarks in the PRC or Hong Kong.
We have been using "The First Tunnel" ("地一大道") brand for the Phase I of Guangzhou Project, Phase I of Zhengzhou Project and Phase I of Shenyang Project and plan to use "The First Tunnel" ("地一大道") as the brand name for all of our future underground shopping centers, as well as those in Harbin. We have applied for trademark registration of a number of trademarks in the PRC and Hong Kong. One of our trademark applications in the PRC has been approved, 23 have been publicized and 20 applications are pending as of April 22, 2010. Our trademark application for "The First Tunnel" ("地一大道") in Hong Kong has been publicized and accepted for registration subject to any third party opposition and pending the issuance of the Registration Certificate. See "Business – Our Principal Activities – Intellectual Property Rights." There is no assurance that the pending applications for trademark registration in the PRC and Hong Kong will be approved or that we will be granted the exclusive rights to use these marks as registered trademarks in the PRC and Hong Kong. Because the use of a unified brand name is a key strategy for our future development in the PRC, if our brand name cannot be registered, it will not be protected and we may not be able to use it, and as a result, our business, financial conditions and results of operations may be materially adversely affected.

Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services.
Our future success depends heavily upon the continuing services of the members of our senior management team, in particular, our Chief Executive Officer and Chairman, Mr. Dai Yongge, who has extensive experience in developing and operating underground shopping centers in the PRC. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Competition for senior management and key personnel is intense and the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. In addition, although each of our executive directors has entered into an employment contract with us which provides that he or she may not join a competitor or form a competing company within two years after leaving us, if such person breaches such obligation or any other of our key personnel carries on any activities competing with us, we may lose customers, key professionals and staff members and our legal remedies against such person may be limited.

Legal and Regulatory Risks Relating to Our Industry

Our project developments are subject to stringent government approvals, and we cannot assure you that the approvals would be granted in time, or at all.

Under PRC laws and regulations, all of our project developments that are categorized as underground air defense shelters for commercial use need to obtain approvals from, or file with, the civil air defense offices at the provincial level, as well as the national level if the total amount of investment in a project exceeds RMB20 million. See "Regulations." The laws and regulations in China do not specify the criteria that these authorities will use to evaluate approval applications, or the time period within which the review and approval process will be completed. In addition, for a project development, we must obtain various permits, licenses and certificates from the relevant administrative authorities at various stages of the development, including planning permits, work commencement permits or construction commencement approvals, and file confirmation of completion and acceptance. Each of these approvals is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter significant delays or other impediments in fulfilling the conditions necessary for these approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain or encounter significant delays in obtaining the requisite governmental approvals, the schedule of development and launch of our underground shopping centers could be substantially disrupted which would materially and adversely affect our business, financial condition and results of operations.

The government in China has the right to take over our underground projects during times of war.

A primary use of our underground civil air defense shelters is to protect civilians during times of war. In order to serve this primary purpose, the PRC government authorities, by law and regulation and as set forth in approvals for our projects, reserve the right to take over our underground facilities that are categorized as air defense shelter for commercial use during times of war. Though current PRC laws and regulations do not define "times of war" for the purpose of civil air defense shelters, Jingtian, our PRC legal advisor, has advised us that the term "times of war" as defined in the *Criminal Law of the People's Republic of China* may be used as a reference for such purpose. That law defines "times of war" as times when the PRC government declares a state of war, when the armed forces receive tasks of operations, when any enemy launches a surprise attack or when the armed forces execute tasks under martial law or cope with emergencies of violence. If any military conflict breaks out between China and other countries or regions, it is likely that any or all of our projects will be seized by the government in China as underground civil air defense shelters. Although Jingtian, our PRC legal advisor, has advised us that the seizure of civil air defense shelters by the government authorities in China for use during times of war does not mean the government authorities permanently revoke our right to use, operate and profit from the facilities and that as an investor in civil air defense shelters, we may continue the use and operation of our underground civil air defense shelters after the war, our business would still be interrupted.

In addition, according to the lease agreements with our tenants and the transfer agreements with respect to operation rights in our shop units, we were advised by Jingtian, our PRC legal advisor, that in the event that the agreements must be terminated due to force majeure, which includes an outbreak of war, upon (1) our request that the shop unit be returned to us, and (2) the return of the shop units to us by the transferees unconditionally for the remainder of the lease terms or operational rights terms, we must refund the rents paid upfront or transfer payments to the tenants or transferees. As of December 31, 2009, we had an upfront payment of rents and payments for the operation rights with total amount of RMB167.6 million (US$24.6 million) which would be subject to refund. We may also be held liable for the repayment of the outstanding bank loans to the shop unit transferees for which we provided guarantees if these transferees default on their payment due to an outbreak of war. See "– Risks Relating to Our Business – We generally provide guarantees for bank loans to the transferees of the operation rights of our shop units and consequently are liable to the banks if the transferees default on their loan repayment." For losses, damages and liabilities that we may incur as a result of such seizure, refunds, termination or otherwise, we do not have any claims or indemnification rights against the government. All of such events will materially and adversely affect our business, financial condition and results of operations.

We are subject to regulations implemented by the PRC government regarding the development and operation of underground civil air defense shelters.

All of our underground shopping centers that are categorized as underground civil air defense shelters for commercial use are subject to PRC laws and regulations regarding the development, construction and commercialization of such facilities. The development of underground civil air defense shelters for commercial use is not categorized as real estate property development under the current PRC laws and regulations and is therefore not subject to many of the PRC laws, regulations, taxes and policies that apply to the real estate industry in the PRC. According to the Civil Air Defense Law of the People's Republic of China and its related regulations, the PRC government authorities allow private and foreign-invested companies to develop and operate underground civil air defense shelters for commercial use. To encourage the investment in the civil air defense shelters, the civil air defense department has granted us the exclusive rights of commercial use of the underground civil air defense shelters that we developed. See "Business – Our Principal Activities – Project Approval." However, the laws and regulations in China with respect to the development and operation of these facilities are still being developed and subject to change from time to time, and the implementation of these laws and regulations by local governments in China may vary from one region to another. Any unfavorable changes in the laws, regulations or the regulatory regime in China could adversely impact our business, financial condition and results of operations.

In particular, neither current PRC laws and regulations nor the approvals we have received from civil air defense offices for our projects specify the scope of our use rights, particularly whether we are permitted to transfer the operation rights of the shop units in our underground projects. Although with respect to our projects in Harbin, Guangzhou, Zhengzhou and Shenyang, we have obtained certificates from the local civil air defense offices of Harbin, Guangzhou, Zhengzhou and Shenyang which specifically indicated that we will have the right to transfer the operation rights of certain portion of the projects to third parties, we cannot assure you that the government authorities in other jurisdictions in China would take the same position, or whether the position of the government authorities in Harbin, Guangzhou, Zhengzhou and Shenyang would not change in the future due to the lack of PRC legislations. If we are not permitted to transfer the operation rights of our underground shop units, our business, financial condition or results of operations may be materially adversely affected.

There are uncertainties in determining the commencement date of the use periods that we have been granted.

With respect to the projects we developed in Harbin, Guangzhou, Zhengzhou and Shenyang, we have obtained certificates from the local civil air defense offices in Harbin, Guangzhou, Zhengzhou and Shenyang confirming the exclusive use rights granted to us for no less than 40 years in the absence of war, starting from the date of opening for business. See "Business – Our Principal Activities – Project Approval." The certificates do not further specify how the relevant date of opening for business is to be determined, nor is there any specific requirement governing the date of opening for business under the relevant PRC laws and regulations. We have in the past chosen to designate a project officially open for business after a few months of initial trial operations, and treat the date of such official opening for business as the commencement date of our relevant use period, including for purposes of our operation rights transfer agreements. We, however, cannot assure you that government authorities in China will agree with such designation. If they do not agree with such designation, the term of our operation rights transfer agreements in Phase I of Guangzhou Project may exceed the exclusive use period by approximately four and a half months, and certain provisions of the agreements may be held invalid and we may be liable for the transferees' damages resulting from the shortfall in the use periods. In such case, our business, financial condition or results of operations may be adversely affected.

There are legal uncertainties regarding whether land use rights certificates for civil air defense shelters are required.

The development of underground civil air defense shelters for commercial use is not categorized as real estate property development under the current PRC laws and regulations and is therefore not subject to many of the PRC laws and regulations governing the real estate industry. As confirmed by Jingtian, our PRC legal advisor, we are not subject to land use rights premiums and are not required to obtain land use rights certificates before the commencement of our projects that are categorized as underground air defense shelters for commercial use according to the existing PRC laws and regulations including without limitation, a judicial notice issued by the Supreme Court of the PRC in 1996. Prior to 2007, we paid land use rights premiums for all of our projects then in operation in order to obtain land use rights certificates to facilitate our financing, but we did not pay any land use rights premiums in 2008 and 2009. However, we cannot assure you that the government authorities in charge of the land administration at different locations will take the same position as Jingtian and that there will be no change in the laws in the future. If we are required to pay land use rights premiums and obtain land use rights certificates for our projects in the future, our business, financial condition or result of operations may be materially adversely affected.

Risks Relating to the PRC

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, our business, results of operations and financial condition are subject to a significant degree to economic, political and legal developments in the PRC.

Changes in the economic, political and social conditions in the PRC could adversely affect our business.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 20 years, growth has been uneven, both geographically and across the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations.

For example, our financial condition and results of operations may be adversely affected by the PRC government's control over capital investments and changes in tax regulations or foreign exchange controls that are applicable to us.

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

Our business is susceptible to the macro-economic policies and austerity measures of the PRC government.

The PRC government from time to time adjusts its monetary and economic policies to adjust the rate of growth of the PRC economy and economies of local areas within the PRC, and such economic adjustments may affect both the underground shopping center market and the wholesale and retail sales market in the parts of China where our projects are located. The PRC government has exercised and continues to exercise significant influence over the PRC's economy in general. From time to time, the PRC government adjusts its monetary and economic policies to prevent or curtail the overheating of the national and provincial economies, which may affect both the underground shopping center market and the wholesale and retail sales market in the parts of China where our projects are located. Any action by the PRC government concerning the economy could have a material adverse effect on our financial condition and results of operations. The central and local authorities may continue to adjust interest rates, tax rates and other economic policies or impose other regulations or restrictions that may have an adverse effect on the underground shopping center market in China, which may adversely affect our business.

There are significant uncertainties under the new PRC enterprise income tax law relating to the withholding tax liabilities of our PRC subsidiaries.

Under *the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法) adopted in March 2007 and the State Council promulgated *the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) adopted in December 2007 (collectively, the "New EIT Law"), the profits of a foreign invested enterprise generated in 2008 and onwards which are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10.0%. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5.0% if a Hong Kong resident enterprise owns over 25% of a PRC company. Each of our PRC subsidiaries is currently wholly owned by a Hong Kong subsidiary. However, according to *the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties* (《關於印發〈非居民享受稅收協定待遇管理辦法（試行）〉的通知》), which became effective on October 1, 2009, the 5% withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation treaties. Moreover, according to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will grant approvals on the 5% withholding tax rate on dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries.

Under the New EIT Law, we may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences to us and our non-PRC Noteholders.

Under the New EIT Law, an enterprise established outside of China with "de facto management organization" located within China will be considered a "resident enterprise," and consequently it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the New EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. As no official interpretation or application of this new "resident enterprise" classification is currently available, it is unclear how the PRC tax authorities will determine whether an entity will be classified as a "resident enterprise." If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest from any investment of any portion of the offering proceeds and other income sourced from outside the PRC would be subject to PRC enterprise income tax at a rate of 25%, whereas no direct tax is imposed on enterprises under the laws of the Cayman Islands. Furthermore, as described in "Taxation – PRC," if we are considered a "resident enterprise," interest payable to certain "non-resident enterprise" holders on the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 10%, or lower rate for holders who qualify for the benefits of a double-taxation treaty with China, and capital gains realized by holders of Notes may be treated as income derived from sources within China and be subject to a 10% PRC tax. In addition to the uncertainty as to the application of the new "resident enterprise" classification, there can be no assurance that the PRC Government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the New EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the New EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect our results of operations and financial condition.

Our indirect disposal of PRC operating entities may be subject to the requirements in a notice recently promulgated by the State Administration of Taxation of the PRC

Under *the Notice on the Administration of Enterprise Income Tax on the Equity Transfer by Non-Resident Enterprise* (關於加強非居民企業股權轉讓所得企業所得税管理的通知) promulgated by the State Administration of Taxation on December 10, 2009 (the "Notice"), a non-PRC resident enterprise is required, with respect to its disposal of a PRC resident enterprise by transferring the equity interest of its offshore intermediate subsidiary (the "Indirect Disposal"), to provide the relevant PRC tax authorities with certain information relating to such Indirect Disposal, if the income tax rate applicable to the offshore intermediate subsidiary is lower than 12.5% or if such offshore intermediate subsidiary is exempted from income tax for its income outside of its home country or region. The Notice further provides that the State Administration of Taxation has the authority to disregard the existence of the offshore intermediate subsidiary if such non-PRC resident enterprise intends to avoid enterprise income tax obligations through an overwhelming arrangement of offshore shareholding structure without reasonable commercial purpose. Because no official interpretation of this Notice is available, it is unclear how the PRC tax authorities will determine the phrases "intention to avoid enterprise income tax", "overwhelming arrangement of offshore shareholding structure" or "without reasonable commercial purpose" and how they will implement it in practice. We disposed of our equity interest in a British Virgin Islands subsidiary which indirectly held Phase I of Zhengzhou Project on December 18, 2009 for RMB2,765.4 million and recorded a net gain on disposal of subsidiaries of RMB1,906.8 million (US$279.3 million), and may conduct similar disposals in the future. Since British Virgin Islands entities are not subject to income tax, the Notice might be applicable to our December 18, 2009 disposal or such similar future disposals. If the existence of any offshore intermediate subsidiary transferred by us is disregarded by the State Administration of Taxation, we may be required to pay PRC enterprise income tax as determined by the tax authorities under the PRC tax laws on our gains received outside of the PRC, which may adversely affect our results of operations and financial condition.

The development of underground civil air defense shelters for commercial use in the PRC is still at an early stage and lacks appropriate infrastructural support.

Commercial use of underground civil air defense shelters by private enterprises in the PRC is still in a relatively early stage of development. Although demand for underground shopping centers in the PRC has been growing in recent years, such growth might be coupled with volatility in market conditions and fluctuations in rents and transfer prices of the underground shop units. We cannot predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the underground shopping centers. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC. The limited amount of financing available to PRC individuals compounded by the lack of security of legal title and enforceability of operation rights of underground shop units may further inhibit demand for commercial developments. In the event of excess supply, prices may fall which may adversely affect our business, financial condition and results of operations.

Fluctuations in the exchange rate of Renminbi may materially and adversely affect our business, financial condition and results of operations.

The value of RMB against other foreign currencies is subject to changes in the PRC government's policies and international economic and political developments. Under the current unified floating exchange rate system, the conversion of RMB into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rates for the conversion of RMB to Hong Kong and U.S. dollars have generally been stable. However, with effect from July 21, 2005, the PRC government reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the RMB appreciated against the Hong Kong and U.S. dollars by approximately 2% on the same date. On September 23, 2005, the PRC government widened the daily trading band for RMB against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. On May 18, 2007, PBOC announced that floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar will be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 17.5% from July 21, 2005 to April 16, 2010. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes.

Uncertainty with respect to the PRC legal system could affect our operations.

As substantially all of our businesses are conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities in which we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome ("SARS"), H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC.

In addition, the outbreak of SARS or other virulent contagious diseases, such as the H5N1 avian flu or the human swine flu, could potentially disrupt our operations if any buyers or sellers in our markets are suspected to have contracted such diseases, and our markets are identified as a possible source of spreading the contagious disease infection. We may be required to quarantine tenants who are suspected of being infected. We may also be required to disinfect the affected markets and therefore suffer a temporary suspension of operations. Any quarantine of users or suspension of operations at any one of markets is likely to adversely affect our business, financial condition and results of operations.

It may be difficult to enforce any judgments obtained from non-PRC courts against us, our directors or our senior management in the PRC.

Substantially all of our assets are located within the PRC. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for you to enforce any judgments obtained from non-PRC courts against us, any of our directors or our senior management in the PRC.

We cannot guarantee the accuracy of facts, forecasts and other statistics derived from official government publications with respect to the PRC, the PRC economy and the PRC industries that affect our business, which are contained in this offering memorandum.

Facts, forecasts and other statistics in this offering memorandum relating to the PRC, the PRC economy and the PRC industries that affect our business have been derived from various official government publications generally believed to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Joint Sponsors and the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between official government publications and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Selected Consolidated Financial Information

The following selected consolidated income statement data for the years ended December 31, 2008 and 2009 and selected consolidated balance sheet data as of December 31, 2008 and 2009 have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum. The following selected consolidated income statement data for the year ended December 31, 2007 and selected consolidated balance sheet data as of December 31, 2007 have been derived from the financial information in our Accountants' Report included elsewhere in this offering memorandum. You should read the selected consolidated financial data in conjunction with those financial statements and the related notes included elsewhere in this offering memorandum and "Management's Discussion and Analysis of Financial Condition and Results of Operations." We have prepared our consolidated financial statements in accordance with IFRSs.

	Year Ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Consolidated income statement data				
Revenue	366,495	3,050,281	4,162,943	609,875
Cost of sales	(81,138)	(530,196)	(1,059,117)	(155,162)
Gross profit	285,357	2,520,085	3,103,826	454,713
Other income	54,237	61,827	1,965,772	287,987
Administrative expenses	(12,892)	(108,888)	(253,442)	(37,129)
Other operating expenses	(34,032)	(73,578)	(144,869)	(21,224)
Profit from operations	292,670	2,399,446	4,671,287	684,347
Finance income	3,131	19,046	11,858	1,737
Finance expenses	(17,835)	(12,534)	(4,643)	(680)
Net finance (expenses)/income	(14,704)	6,512	7,215	1,057
Profit before income tax	277,966	2,405,958	4,678,502	685,404
Income tax	(11,291)	(502,940)	(640,934)	(93,897)
Profit for the year	266,675	1,903,018	4,037,568	591,507
Profits attributable to equity shareholders of the Company	266,675	1,903,018	4,037,568	591,507
Dividends payable to equity shareholders of the Company attributable to the year	257,212	1,524,000	2,019,600	295,873
Other data				
EBITDA[1]	332,120	2,434,240	4,736,988	693,973
EBITDA margin[2]	90.6%	79.8%	113.8%	113.8%

(1) EBITDA for any period consists of profit from operations plus depreciation and amortization expenses. Our EBITDA includes the gains from disposal of our subsidiaries. As part of our ordinary business operations, we from time to time seek to sell all or some of the interests in our subsidiaries, which will result in gains or losses recorded in other income. EBITDA is not a standard measure under IFRSs. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as administrative and other operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the indenture governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes – Certain Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the indenture governing the Notes.

(2) EBITDA margin refers to EBITDA divided by revenue for the relevant year, expressed as a percentage.

The following table reconciles our profit from operations under IFRSs to our EBITDA for the periods indicated.

	Year Ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Profit from operations	292,670	2,399,446	4,671,287	684,347
Depreciation	38,193	33,764	65,294	9,566
Amortization	1,257	1,030	407	(60)
EBITDA	332,120	2,434,240	4,736,988	693,973

	As of December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Consolidated balance sheet data:				
Non-current assets:				
Property and equipment	35,231	358,025	252,671	37,017
Investment properties	455,187	934,667	2,100,956	307,792
Land use rights	48,389	16,951	8,119	1,189
Other assets	156,487	517,851	778,039	113,983
Total non-current assets	695,294	1,827,494	3,139,785	459,981
Current assets:				
Inventories	–	129,000	121,265	17,765
Trade and other receivables	447,197	2,153,089	5,440,822	797,085
Cash at bank and on hand	1,517,447	3,233,578	4,904,426	718,503
Total current assets	1,964,644	5,515,667	10,466,513	1,533,353
Current liabilities:				
Bank loans	19,184	–	–	–
Trade and other payables	723,684	531,294	1,126,637	165,053
Taxation	13,443	371,789	383,132	56,129
Total current liabilities	756,311	903,083	1,509,769	221,182
Non-Current liabilities:				
Other payables	12,013	1,668	–	–
Deferred tax liabilities	–	74,741	30,000	4,395
Total non-current liabilities	12,013	76,409	30,000	4,395
Capitals and reserves:				
Share capital	17	176,253	193,884	28,404
Reserves	1,891,597	6,187,416	11,872,645	1,739,353
Total equity attributable to the equity shareholders of the Company	1,891,614	6,363,669	12,066,529	1,767,757

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with "Selected Consolidated Financial Information" and our consolidated financial statements and related notes included elsewhere in this offering memorandum. Our financial statements have been prepared in accordance with IFRSs. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the section entitled "Risk Factors" in this offering memorandum.

Overview

We are a PRC-based underground shopping center operator and developer that focuses on the operation and development of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China.

We currently operate four underground shopping centers in Harbin, Heilongjiang Province, three of which are interconnected, one in Guangzhou, Guangdong Province, and one in Shenyang, Liaoning Province, with an aggregate GFA of approximately 238,618 sq.m., and are providing management services for one underground shopping center in Zhengzhou, Henan Province, with an aggregate GFA of approximately 94,180 sq.m. We have 27 other projects in Daqing and Harbin, Heilongjiang Province, Dalian and Anshan, Liaoning Province, Weifang and Qingdao, Shandong Province, Wuhan, Hubei Province, Handan, Hebei Province, Putian, Fujian Province, Chengdu, Sichuan Province, Ganzhou and Nanchang, Jiangxi Province, Luoyang and Zhengzhou, Henan Province, Kunming, Yunnan Province, Shenzhen and Guangzhou, Guangdong Province, Wuhu, Anhui Province, Chongqing and Tianjin, with an aggregate approved GFA of approximately 3,635,660 sq.m.

We have obtained approvals for the projects (項目建議書批覆) from the competent PRC authorities for our projects. All of our projects have easy access to transportation hubs such as subway stations, railway stations, city bus stops and inter-city bus terminals. We transfer the operation rights for a portion of the shop units of our projects to third-party purchasers, and we hold and lease the remaining shop units.

For the years ended December 31, 2007, 2008 and 2009, our revenue was RMB366.5 million, RMB3,050.3 million and RMB4,162.9 million (US$609.9 million), respectively, and our profit for the year, during the same periods, was RMB266.7 million, RMB1,903.0 million and RMB4,037.6 million (US$591.5 million), respectively.

Key Factors Affecting Our Results of Operations

General Economic Condition and Regulatory Environment in the PRC

Our results of operations are subject to general political, economic, fiscal, legal and social developments in the PRC, in particular in Harbin, Guangzhou, Shenyang, Chongqing and other cities in which our current projects are located or future projects will be developed, including:

- continued growth in the PRC's economy and population and an increase in urbanization rate, which drive the demand for underground shopping centers;
- the regulatory and fiscal environment of the PRC affecting the underground shopping center industry, including tax policies, policies on pre-transfer of operation rights, zoning policies, policies on interest rates and policies concerning the development and use of underground civil air defense shelters; and

- the performance of the PRC's wholesale and retail markets, in particular, those for apparel and accessories and other merchandise, and the supply and demand for underground and other shopping space in Harbin, Guangzhou, Shenyang, Chongqing and other cities in which our current projects are located or future projects will be developed.

See "Risk Factors – Legal and Regulatory Risks Relating to Our Industry – We are subject to regulations implemented by the PRC government regarding the development and operation of underground civil air defense shelters," "– Risks Relating to Our Business – A weakening of general economic conditions, especially in wholesale and retail markets in the PRC may adversely affect our lease income and proceeds from the transfer of operation rights," and "– Risks Relating to the PRC – Changes in the economic, political and social conditions in the PRC could adversely affect our business."

Ability to Secure Suitable Underground Sites for Future Development

Our continued growth will depend in large part on our ability to secure quality underground sites from the National Civil Air Defense Office and its local offices. Based on our current development plans, we have obtained, or are in the process of obtaining, government approvals for the development of new underground sites in the next several years. However, there is no assurance that we will eventually obtain approvals for those projects that have not yet been approved. As the PRC economy continues to grow and the demand for underground shopping centers remains relatively strong, we expect that some other companies that are not currently engaged in developing underground shopping centers may enter this sector and the competition among developers for quality underground sites may intensify. Competition may also come from the aboveground shopping centers.

The Size and Product Mix of Our Properties

We have held in the past and intend to hold in the future a majority of our shop units for recurring lease income while transferring the operation rights of the remaining shop units to third-party purchasers. From time to time when suitable opportunities arise, we may also consider transferring the entire project of an underground shopping center by transferring the equity interest in the subsidiary holding such project, such as what we did for Phase I of Zhengzhou Project in December 2009, to a third party to quickly realize the value of our investment. As a result, our results of operations and the sources and amount of our cash from operations may vary significantly from period to period, depending on the GFA of our projects in operation with respect to which we transfer operation rights or lease and when our projects in various stages of development are completed. Our results of operations and cash flow will also vary depending on the market demand at the time we transfer or lease our shop units, the occupancy rates of our investment properties and the transfer prices for our shop units. The transfer price, rental price and occupancy rate of our project developments largely depend on local supply and demand conditions.

Pledge of Cash and Restricted Bank Deposits

We provided guarantees to banks and made deposits as security to help certain transferees of our shop units in Harbin and Guangzhou finance their acquisition of the operation rights of the shop units. Most of the transferees who acquire the operation rights of our shop units pay a portion of the total transfer price and rely on bank loans to fund the remaining transfer price. We have entered into agreements with Bank of China and Harbin Bank with respect to loans they made to the transferees of operation rights under which we provided guarantees and made restricted bank deposits as security for the repayment of the loans. The amount of our guarantees is equivalent to the principal amount of the loans which, according to our internal policy, normally ranged approximately from 50% to 70% of the operation rights transfer price. Prior to the provision of the guarantees, we conducted credit reviews of the transferees, which included a review of their business activities, their experience in business operations and their financial background. The amount of our restricted bank deposits equal 10% or 15% of the principal amount of the loans. See "Risk Factors – Risks Relating to Our Business – Our cash pledged as security for the repayment of the loans provided to the transferees of our shop units negatively affects our liquidity." While the transfer of operation rights helped us recover the construction costs of our projects, the pledge of cash in restricted deposit accounts reduced the cash inflow from the transfers and negatively affected our liquidity. For example, as of December 31, 2007, 2008 and 2009, the balance of our restricted bank deposit was RMB206.7 million, RMB129.1 million and RMB458.1 million (US$67.1 million), respectively. In 2007, 2008 and 2009, none of the transferees of operation rights of our shop units defaulted on the repayment of loans for which we provided guarantees and made restricted cash deposits as security.

Timing of Project Development

The number of project developments that we can undertake during any particular period is limited due to substantial capital requirements for construction costs. In addition, it generally takes at least six months from the commencement of construction before our underground shop units can be ready for transfer or lease. Moreover, as market demand is unstable, revenue in a particular period also depends on our ability to gauge the expected demand in the market at the expected completion date of a particular project. Delays in construction, regulatory approval processes and other factors will also affect the timetable of our projects.

In addition, the commencement of the construction of our projects following government approval is subject to the obtaining of various other certificates, permits and licenses from the PRC government as well as the successful completion of pre-construction coordination. See "Business – Our Principal Activities – Permits and Certificates" and "Business – Our Principal Activities – Pre-Construction Coordination." Obtain these necessary certificates, permits and licenses and coordinating various government authorities and public utility suppliers are time-consuming and the progress is out of our control. As a result, it might be difficult for us to accurately implement our project development in accordance with our development plan from time to time.

Price Volatility of Construction Materials

Our results of operations are affected by the price volatility of construction materials such as steel and cement. Many of the construction materials we use for our project development are procured by our construction contractors, and our construction contractors typically bear the risk of fluctuations in construction material prices during the life of the relevant contract. However, we are exposed to the price volatility of construction materials to the extent that we periodically enter into or renew our construction contracts. Further, we typically transfer our underground shopping units prior to their completion, and thus are unable to pass the increased costs on to our customers if construction costs increase subsequent to the time of the transfer of shop units in our projects. See "– Description of Certain Consolidated Income Statement Items – Cost of Sales – Construction Cost."

Critical Accounting Policies

Our consolidated financial information has been prepared in accordance with IFRSs, which require us to make judgments, estimates and assumptions that affect (1) the reported amounts of our assets and liabilities at the end of each fiscal period, and (2) the reported amounts of income and expenses during each fiscal period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and reasonable assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our financial statements, you should consider (1) our selection of critical accounting policies, (2) the judgment and other uncertainties affecting the application of those policies, and (3) 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 financial statements.

Revenue Recognition

Our revenue consists of lease income from operating leases and revenue from the transfer of operation rights. Revenue arising from lease income from operating leases, including both the upfront rental payments and the one-time entry fee that we collect for certain of our projects upon the signing of the leases, is recognized on a straight-line basis over the term of the lease. For our projects in Harbin and Shenyang, we normally require that the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each 365-day period during the term. The rent collected upfront and the one-time entry fee are recorded as trade and other payables (receipt in advance) until recognized as revenue. For the shop units in Phase I of Guangzhou Project, the rent is collected on a monthly basis and is normally due for each month at the end of the previous month. We normally fix the rent for the first year of the lease term and increase the rent annually at a percentage agreed in the lease agreement for the remaining term.

Revenue from transfer of operation rights is recognized when the significant risks and rewards of the operation rights have been transferred to the purchaser. In 2007, 2008 and 2009, we transferred the operation rights of shop units in Phases I to III of Harbin Project, Phase I of Guangzhou Project, Phase I of Zhengzhou Project, Phase I of Shenyang Project, Phase VI of Harbin Project, Wuhan Hanzheng Street Project and Heilongjiang Renhe Spring Project (Youyi Road Section). For certain shop units of Phase I of Guangzhou Project that were transferred prior to 2008, we granted the purchasers a trial period, which was normally four months. In 2008 and 2009, we did not grant any trial period with respect to those shop units of Phase I of Guangzhou Project. In addition, we entered into simultaneous lease agreements and transfer of operation rights agreements with certain transferees in Phase I of Guangzhou Project under which we would lease the shop unit to the transferees for the first year and then transfer the operation rights after the end of the lease. For such contracts, we recognized revenue generated during the first year as lease income on a straight-line basis and then recognized revenue from transfer of operation rights after the end of lease term when the significant risks and rewards of the operation rights were transferred. Revenue from transfer of operation rights is net of business tax.

For the proceeds that we received for the transfer of operation rights which are pending to be recognized as revenue according to our accounting policy, we recorded them as "Receipt in advance," which constitute one of the major parts of our "Trade and other payables."

Revenue from services rendered, recorded under other operating income, is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other income" in profit or loss.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the Company and its subsidiaries and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized within "other income" in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for various categories of property and equipment are as follows:

• underground properties under leasehold land	• the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion
• machinery	• 10 years
• decoration	• 5 years
• office equipment	• 5 years
• vehicles	• 5 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Investment Properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. The depreciation policy is the same as that of property and equipment.

Inventories

Inventories represent units of underground shopping centers under development and completed units of which operation rights will be transferred subsequently. The cost of inventories comprises specifically identified costs, including the acquisition cost of land, aggregate costs of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overhead and borrowing costs capitalized. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in transferring the operation rights of units. Inventories are measured at the lower of cost and the net realizable value.

Results of Operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated income statements and their respective percentages of our total revenue.

	Year ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Revenue	366,495	100.0%	3,050,281	100.0%	4,162,943	609,875	100.0%
Cost of sales	(81,138)	(22.1)	(530,196)	(17.4)	(1,059,117)	(155,162)	(25.4)
Gross profit	285,357	77.9	2,520,085	82.6	3,103,826	454,713	74.6
Other income	54,237	14.8	61,827	2.0	1,965,772	287,987	47.2
Administrative expenses	(12,892)	(3.5)	(108,888)	(3.6)	(253,442)	(37,129)	(6.1)
Other operating expenses	(34,032)	(9.3)	(73,578)	(2.3)	(144,869)	(21,224)	(3.5)
Profit from operations	292,670	79.9	2,399,446	78.7	4,671,287	684,347	112.2
Finance income	3,131	0.9	19,046	0.6	11,858	1,737	0.3
Finance expenses	(17,835)	(4.9)	(12,534)	(0.4)	(4,643)	(680)	(0.1)
Net finance (expenses)/income	(14,704)	(4.0)	6,512	0.2	7,215	1,057	0.2
Profit before income tax	277,966	75.9	2,405,958	78.9	4,678,502	685,404	112.4
Income tax	(11,291)	(3.1)	(502,940)	(16.5)	(640,934)	(93,897)	(15.4)
Profit for the year	266,675	72.8%	1,903,018	62.4%	4,037,568	591,507	97.0%

Description of Certain Consolidated Income Statement Items

Revenue

Our revenue consists of lease income from our investment properties and income from the transfer of operation rights, net of business tax. The following table sets forth our revenue by category in 2007, 2008 and 2009, respectively.

	Year ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Lease income	176,505	48.2%	182,085	6.0%	129,369	18,953	3.1%
Transfer of operation rights	189,990	51.8	2,868,196	94.0	4,033,574	590,922	96.9
Revenue	366,495	100.0%	3,050,281	100.0%	4,162,943	609,875	100.0%

Lease Income

As we derive all of our lease income from the lease of space (including shop units and indoor advertising boards) in our underground shopping centers, our lease income for a given period depends primarily on the following factors: (i) the GFA of shop units we have available for lease during that period and (ii) the average lease price per sq.m. we are able to obtain for such shop units, reflecting the market demand for those shop units. Conditions of the underground shopping centers markets in which we operate change from period to period and are affected by general economic, political and regulatory developments in the PRC and in the cities in which our projects are or will be located. See "– Key Factors Affecting Our Results of Operations."

We recognize revenue from the lease of a shop unit, including the one-time entry fee that we collect upfront, on a straight-line basis over the term of the relevant lease. In 2007, 2008 and 2009, we recognized lease income of RMB176.5 million (including the one-time entry fee of RMB14.3 million), RMB182.1 million (including the one-time entry fee of RMB35.1 million) and RMB129.4 million (US$19.0 million) (including the one-time entry fee of RMB9.7 million (US$1.4 million)), respectively, in connection with the lease of space in our shopping centers with an aggregate GFA of 103,315 sq.m., 49,951 sq.m., and 131,013 sq.m. as of the end of respective periods, representing an average annual realized leasing price per sq.m. (calculated by dividing the revenue from the leasing income by the weighted average leasable GFA during the respective periods) of RMB1,708.4, RMB2,013.6 and RMB882.4 (US$129.3), respectively.

The following table sets forth our lease income by project in 2007, 2008 and 2009, respectively.

	Year ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Projects							
Phase I of Harbin Project	28,520	16.2%	30,082	16.5%	25,118	3,680	19.4%
Phase II of Harbin Project	21,244	12.0	23,768	13.1	21,595	3,164	16.7
Phase III of Harbin Project	36,665	20.8	30,120	16.5	5,249	769	4.1
Phase I of Guangzhou Project	90,076	51.0	98,115	53.9	30,443	4,460	23.5
Phase I of Zhengzhou Project	–	–	–	–	13,001	1,905	10.0
Harbin Renhe Spring	–	–	–	–	18,077	2,648	14.0
Shenyang Project	–	–	–	–	15,886	2,327	12.3
Total lease income	176,505	100.0%	182,085	100.0%	129,369	18,953	100.0%

The following table sets forth, for each of our projects in operation, the lease income, leasable GFA and lease income per sq.m. for the periods and as of the dates indicated.

	Lease income				Leasable GFA			Lease income per sq.m.[(1)]			
	As of December 31,										
	2007	2008	2009		2007	2008	2009	2007	2008	2009	
	RMB	RMB	RMB	US$				RMB	RMB	RMB	US$
	(in thousands)				(sq.m.)			(per sq.m.)			
Projects											
Phase I of Harbin Project	28,520	30,082	25,118	3,680	15,920	13,819	7,552	1,791	1,894	1,827	267.7
Phase II of Harbin Project	21,244	23,768	21,595	3,164	21,633	19,711	19,446	982	1,100	1,101	161.3
Phase III of Harbin Project	36,665	30,120	5,249	769	21,015	2,582	2,582	1,744	1,469	2,033	297.8
Phase I of Guangzhou Project[(2)]	90,076	98,115	30,443	4,460	44,747	13,839	5,587	2,013	3,025	2,440	357.5
Phase I of Zhengzhou Project	–	–	13,001	1,905	–	–	–	–	–	287	42.0
Harbin Renhe Spring	–	–	18,077	2,648	–	–	16,800	–	–	1,076	157.6
Shenyang Project	–	–	15,886	2,327	–	–	79,352	–	–	793	116.2
Total/Average annual realized leasing price	176,505	182,085	129,369	18,953	103,315	49,951	131,319	1,708	2,014	882	129.2

(1) Calculated by dividing the lease income for a given project in a given period by the weighted average leasable GFA during such period.

(2) The lease income, the leasable GFA and the lease income per sq.m., as the case may be, includes 2,179 sq.m. of space, a portion of which was leased out but all leases were terminated by the end of July 2008 which was originally approved as a parking lot but we had improperly converted into leasable GFA. We, however, received oral confirmation from the local authorities to continue using it for commercial purposes. See "Business – Our Principal Activities – Legal Proceedings."

Transfer of Operation Rights

We recognize revenue from the transfer of operation rights when the significant risks and rewards of the operation rights have been transferred to the buyers. We entered into transfer agreements for certain shop units in Phase I of Guangzhou Project in 2006, however, we did not recognize the revenue from the transfers in Phase I of Guangzhou Project until 2007 when the risks and rewards had been transferred to the transferees. In 2008, we completed Phase I of Zhengzhou Project and recognized the revenue from the transfer of operation rights of certain shop units therein in that year. We kept transferring operation rights for shop units in Phase I of Guangzhou Project in 2008 and also transferred the operation rights of a portion of shop units in Phase I, II and III of Harbin Project. Our transfer of operation rights in 2009 primarily represented those related to the shop units in Shenyang Project, Heilongjiang Renhe Spring Project (Youyi Road Section), Wuhan Hanzheng Street Project and Phase VI of Harbin Project. As of December 31, 2009, we have transferred approximately 52.6% of the total GFA of Phase I of Harbin Project, 27.5% of Phase II of Harbin Project, 87.7% of Phase III of Harbin Project, approximately 88.3% of Phase I of Guangzhou Project, approximately 28.2% of Shenyang Project, approximately 20.7% of Wuhan Hanzheng Street Project, approximately 26.7% of Phase VI of Harbin Project, and approximately 24.7% of Harbin Youyi Road Project. In 2007, 2008 and 2009, our revenue from the transfer of operation rights was RMB190.0 million, RMB2,868.2 million and RMB4,033.6 million (US$590.9 million), respectively.

The table below sets forth the revenue generated from the transfer of operation rights, the GFA transferred and average transfer price per sq.m. of shop units transferred in 2007, 2008 and 2009, respectively:

	Revenue from the transfer of operation rights				GFA transferred			Average realized transfer price(1)			
	2007	2008	2009		2007	2008	2009	2007	2008	2009	
	RMB	RMB	RMB	US$				RMB	RMB	RMB	US$
	(in thousands)				(sq.m.)			(per sq.m.)			
Projects											
Phase I of Harbin Project	–	80,224	214,613	31,441	–	2,101	6,267	–	38,184	34,245	5,017
Phase II of Harbin Project	–	39,308	7,078	1,037	–	1,922	265	–	20,452	26,709	3,913
Phase III of Harbin Project	–	408,672	–	–	–	18,433	–	–	22,171		
Phase I of Guangzhou Project	189,990	1,344,129	374,154	54,814	4,986	28,729	8,252	38,105	46,786	45,341	6,642
Phase I of Zhengzhou Project	–	995,863	–	–	–	22,792	–	–	43,694		
Wuhan Hanzheng Street Project	–	–	674,025	98,745			26,130			25,795	3,779
Phase VI of Harbin Project	–	–	1,253,876	183,694			40,748			30,771	4,508
Heilongjiang Renhe Spring Project (Youyi Road Section)	–	–	188,825	27,663			6,448			29,284	4,290
Shenyang Project	–	–	1,321,003	193,528	–	–	31,148	–	–	41,998	6,153
Total	189,990	2,868,196	4,033,574	590,922	4,986	73,977	119,258	38,105	38,771	33,822	4,955

(1) Calculated by dividing revenue from the transfer of operation rights of a specific project by GFA transferred within a specific period.

Cost of Sales

Cost of sales primarily consists of cost of operating lease and cost of transfer of operation rights. The following table sets forth our cost of sales by revenue category in 2007, 2008 and 2009, respectively.

	Year ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Operating lease							
Amortization of land use rights	1,257	3.3%	1,030	3.1%	407	60	0.7%
Depreciation of investment properties	36,735	96.7	32,275	96.9	59,650	8,739	99.3
Subtotal	37,992	100.0%	33,305	100.0%	60,057	8,799	100.0%
Transfer of operation rights							
Land use rights	4,691	10.9%	30,408	6.1%	8,425	1,234	0.8%
Construction cost	38,455	89.1	466,483	93.9	990,635	145,129	99.2
Subtotal	43,146	100.0%	496,891	100.0%	999,060	146,363	100.0%
Total	81,138	100.0%	530,196	100.0%	1,059,117	155,162	100.0%

The principal components of cost of sales for lease income include amortization of land use rights and depreciation of investment properties. The principal components of cost of sales for transfer of operation rights are the land use rights and cost of construction of properties for which the operation rights have been transferred.

Amortization of Land Use Rights

Land use rights represent land premiums paid by us to the government in connection with obtaining the land use rights certificates from the government for the underground sites of our projects. Although we are not required to pay the land use rights premiums or obtain the land use rights certificates for the development and operation of our underground air defense shelter projects under current laws, we did so prior to 2007 so that we could receive mortgage loans from PRC banks by pledging the land use rights. The land use rights premiums were determined based on our negotiation with local land administrative authorities, taking into consideration the nature of our projects as civil air defense shelters. Jingtian, our PRC legal advisor, has advised us that the land use rights certificates that we received for underground air defense shelter projects are not mandatorily required under applicable PRC laws and do not represent land use rights or any other rights for our projects. We, therefore, do not have land use rights under the land use rights certificates according to applicable PRC laws. We amortize the land use rights on a straight-line basis over the period of the land use rights, which is typically 40 years.

Depreciation of Investment Properties

Investment properties are properties which are owned or held to earn lease income and/or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. The costs of investment properties comprise aggregate cost of development, materials and suppliers, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized. Depreciation of investment properties is recognized on a straight-line basis over the estimated useful life of each item of property. For our consolidated income statements, their estimated useful lives are no more than 40 years after the date of completion for buildings.

Construction Cost

Construction cost is the main component of cost of sales for the transfer of operation rights. Construction cost includes all of the costs for the design and construction of a project, including payments to contractors, designers and supervision companies, payments for the purchase and installment of equipment, the fitting out costs, and other direct expenses, such as wages directly attributable to the project. Historically, construction material cost (which is generally included in the payments to our construction contractors), particularly the cost of steel and cement, has been a major cause of fluctuation in our construction cost. The market price of steel and cement was volatile from 2007 to 2009. See "– Key Factors Affecting Our Results of Operations – Price Volatility of Construction Materials."

Furthermore, the cost of equipment used in our properties, including ventilation systems, fire preventing systems and air conditioning system, may also increase our construction cost. Costs associated with the particulars of development of underground spaces vary from site to site, with the variance of factors such as geologic condition. Therefore, the construction cost of a property development may be higher if the conditions of a site require more complex designs and processes or more expensive materials in order to provide the necessary foundation support.

Other Income

Other income comprises revenue from property management and relevant services, net gain or loss on sales of property and equipment and net gain on disposal of subsidiaries. Other income was RMB54.2 million, RMB61.8 million and RMB1,965.8 million (US$288.0 million) for 2007, 2008 and 2009, respectively.

The table below sets forth our other income by type for the periods indicated.

	Year ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Revenue from property management and relevant services	50,579	51,174	58,978	8,640
Net gain on disposal of subsidiaries	–	–	1,906,800	279,348
Net gain/(loss) on sales of property and equipment	3,658	(31)	(6)	(1)
Waived bank loan	–	10,684	–	–
Total	54,237	61,827	1,965,772	287,987

The principal components of our revenue from property management and relevant services include cleaning and security charge, early opening market charge, promotion fee income, property management fee, income from lease of advertising light boxes and commission fee. In 2008, other income included, in addition to revenue from property management and relevant services, the amount of the accumulated interests and penalty that were waived by Everbright Bank for which we were liable under an old loan. In 2009, other income included a net gain on disposal of subsidiaries relating to our sale of all of our equity interest in the subsidiaries for Phase I of Zhengzhou Project in December 2009.

Administrative Expenses

Administrative expenses include administrative staff costs (including salary and bonus), travel expenses, depreciation of office equipment and assets, office expenses, consulting fees, entertainment expenses and operating lease charges. In 2007, 2008 and 2009, administrative expenses were RMB12.9 million, RMB108.9 million and RMB253.4 million (US$37.1 million), respectively.

Other Operating Expenses

Our other operating expenses primarily consist of staff costs, repair and maintenance costs, utilities, entertainment expenses, and advertisement and promotion expenses relating to other income. In 2007, 2008 and 2009, other operating expenses were RMB34.0 million, RMB73.6 million and RMB144.9 million (US$21.2 million), respectively.

Finance Income

Finance income represents interest on bank deposits. In 2007, 2008 and 2009, our finance income was RMB3.1 million, RMB19.0 million and RMB11.9 million (US$1.7 million), respectively.

Finance Expenses

Finance expenses mainly represents interest on our interest-bearing loans and net foreign exchange loss as a result of holding and exchange of foreign currencies in the PRC. In 2007, 2008 and 2009, our finance expenses were RMB17.8 million, RMB12.5 million and RMB4.6 million (US$0.7 million), respectively.

Tax

Our tax expenses for a given year are provisions made for PRC enterprise income tax during the year.

PRC Enterprise Income Tax

Our PRC income tax expense represents PRC enterprise income tax liabilities accrued by our operating subsidiaries. The PRC enterprise income tax has been calculated at the applicable tax rate on the estimated assessable profits for each year in 2007, 2008 and 2009, based on the existing legislation, interpretations and practices in respect thereof.

In accordance with the Enterprise Income Tax Law of the PRC which became effective on January 1, 2008, the corporate income tax rate generally applicable in the PRC was reduced to 25% from 33%. The Enterprise Income Tax Law of the PRC introduced a wide range of changes that include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Under the Enterprise Income Tax Law of the PRC, enterprises such as subsidiaries in the PRC that have not fully utilized their five-year preferential tax treatments (i.e., two-year exemption and the subsequent three-year 50% reduction of their applicable tax rates) will continue to receive these benefits. In 2007, 2008 and 2009, the applicable income tax rate for most of our subsidiaries in the PRC was 27%, 25% and 25%, respectively.

According to *the Tax Regulation of Foreign Investment on Aerial Defense Project* (關於外商投資企業投資人民防空工程有關稅收問題的通知), our subsidiaries relating to Phase III and Phase I of Guangzhou Project were entitled to an exemption from national income tax in 2006 and 2007, and are entitled to a tax reduction of 50% of the national income tax rate for the years 2008 to 2010. In addition, our subsidiaries for Phases II and III of Harbin Projects and Phase I of Guangzhou Project were entitled to a full exemption from local income taxes for the years 2006 to 2007, 2002 to 2007, and 2006 to 2007, respectively.

On December 6, 2007, the State Council of the PRC enacted *the Implementation Rules of the Enterprise Income Tax Law*. Under the Implementation Rules, the non-PRC investors of foreign invested enterprises are subject to PRC withholding tax on dividends derived from the profits of such foreign-invested enterprises for the year 2008 and thereafter. Currently, the withholding tax rate applicable to our Hong Kong subsidiaries which are direct shareholders of our PRC subsidiaries is 5%, subject to approvals from the relevant tax authorities. See "Risk Factors – Risks Relating to the PRC – There are significant uncertainties under the new PRC enterprise income tax law relating to the withholding tax liabilities of our PRC subsidiaries."

Under the Notice on the Administration of Enterprise Income Tax on the Equity Transfer by Non-Resident Enterprise promulgated by the State Administration of Taxation on December 10, 2009, we may be required to pay PRC enterprise income tax on our gains received outside of the PRC. See "Risk Factors – Risks Relating to the PRC – Our indirect disposal of PRC operating entities may be subject to the requirements in a notice recently promulgated by the State Administration of Taxation of the PRC."

Reconciliation

A reconciliation of the tax expenses calculated at the applicable statutory income tax rates to our actual tax paid as well as a reconciliation of the statutory income tax rate to our effective tax rate in 2007, 2008 and 2009 are as follows:

	Year ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Profit before income tax	277,966		2,405,958		4,678,502	685,404	
Income tax calculated at the respective statutory rates applicable to the Company and its subsidiaries	75,051	27.0%	601,490	25.0%	1,169,626	171,351	25.0%
Tax effect of non-taxable income from waived bank loan	4,429	1.6	(1,843)	(0.1)	–		–
Effect of tax exemption/ reduction	(68,367)	(24.6)	(172,470)	(7.2)	(563,632)	(82,573)	(12.0)
Effect of withholding tax at 5% on the profits of the Company's PRC subsidiaries	–	–	74,741	3.1	30,000	4,395	0.7
Others..................................	178	0.0	1,022	0.0	4,940	724	0.0
Actual tax charge and effective tax rate	11,291	4.0%	502,940	20.8%	640,934	93,897	13.7%

Our actual tax charge increased approximately 44 times to RMB502.9 million in 2008 from RMB11.3 million in 2007, while our profit before income tax increased less than 10 times to RMB2,406.0 million in 2008 from RMB278.0 million in 2007, because (i) our subsidiaries related to projects that generated significant revenue and profit in 2007 such as Phase I of Guangzhou Project were entitled to full exemption from national and local income tax in 2007 but only 50% tax exemptions in 2008, and (ii) our subsidiary relating to Phase I of Zhengzhou Project, which generated significant revenue and profit in 2008 did not enjoy any tax benefit. As a result, our effective tax rate increased to 20.9% in 2008 from 4.1% in 2007.

Our actual tax charge increased slightly to RMB640.9 million (US$93.9 million) in 2009 from RMB502.9 million in 2008, despite the significant increase in our profit before income to RMB4,678.5 million (US$685.4 million) in 2009 from RMB2,406.0 million in 2008. Our effective tax rate decreased to 13.6% in 2009 from 20.9% in 2008. This is primarily due to the exemption of PRC income tax for the proceeds from our disposal of our subsidiaries for Phase I of Zhengzhou Project, which was conducted through the sale of our equity interest in Victory Faith Group Limited, a British Virgin Islands corporation.

Hong Kong, British Virgin Islands and Cayman Islands Tax

We have not made any provision for Hong Kong profits tax as we had no assessable profit in Hong Kong in 2007, 2008 and 2009. Furthermore, since we are incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands, no direct taxes are imposed in the Cayman Islands upon us. The British Virgin Islands has no corporation tax, capital gains tax, wealth tax, or any other tax applicable to a business company.

Property Tax
According to *the Supplementary Provisions of Policies for Encouragement of Foreign Investment in Heilongjiang Province* (Hei Zheng Fa [1991] No. 38), foreign investment enterprises in Heilongjiang province are entitled to property tax exemption for five years from the month during which the business license is obtained. Accordingly, our subsidiary relating to Phase III of Harbin Project was entitled to property tax exemption for the period from 2003 to 2008.

According to *the Provisions on Collection and Exemption of Property Tax for Foreign Investment Enterprises in Guangdong Province* (Ren Min Zheng Fu Ling [2002] No. 75), foreign investment enterprises in Guangdong province are entitled to property tax exemption for three years since its establishment or purchase of property. Our subsidiary relating to Phase I of Guangzhou Project was entitled to property tax exemption for the period from 2005 to 2008.

According to *the Notice of the State Administration of Taxation on Several Issues concerning the Levy of Property Tax on Foreign Investment Enterprises* (Guo Shui Fa [2000] No. 44, "Notice No. 44"), foreign investment companies, or FIEs, are exempted from property tax for the civil air defense project since January 1, 2000. According to *the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Taxes Relating to Underground Buildings with Housing Function* (Cai Shui [2005] No. 181, "Notice No. 181"), from January 1, 2006, underground properties are subject to property tax which is levied at 12% of the related income. Before January 1, 2009, no specific tax regulations or rules provide that Notice No. 181 would be applicable to civil air defense shelters developed by FIEs. Instead, because Notice No. 44 was still valid and applicable, we believe that Notice No. 181 did not apply to FIEs and hence, our subsidiaries in the PRC, all established in the form of FIEs, were exempted from property tax before January 1, 2009. Such position is based on the opinion of Jingtian, our PRC legal advisor. We, therefore, did not make any provision for property tax in this respect before January 1, 2009.

According to *the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Tax on Foreign Investment Enterprises* (Cai Shui [2009] No. 3), all the FIEs in the PRC will be subject to the property tax since January 1, 2009. Accordingly, we have accrued property tax for subsidiaries in the PRC since January 1, 2009.

2009 Compared to 2008

Revenue

Our revenue increased by 36.5% to RMB4,162.9 million (US$609.9 million) in 2009 from RMB3,050.3 million in 2008, primarily due to an increase in revenue from transfer of the operation rights of Shenyang Project, partially offset by a decrease in revenue from lease income.

Lease income. Revenue generated from lease income decreased by 28.9% to RMB129.4 million (US$19.0 million) in 2009 from RMB182.1 million in 2008, primarily due to a decrease in the lease income from Phase I of Guangzhou Project as a result of our further transfer of operation rights of shop units in that project. This was partially offset by the lease income from Phase I of Shenyang Project, which opened for business in October 2009, and from Harbin Renhe Spring Project, which we acquired in December 2008. We also disposed of our entire remaining interest in Phase I of Zhengzhou Project in December 2009 after it contributed over 11 months to lease income in 2009. The lease income per sq.m. decreased to RMB882.4 (US$129.3) in 2009 from RMB2,013.6 in 2008, primarily due to the relatively low rental rate in Phase I of Shenyang Project.

Transfer of operation rights. Revenue generated from the transfer of operation rights increased by 40.6% to RMB4,033.6 million (US$590.9 million) in 2009 from RMB2,868.2 million in 2008 because the GFA transferred in 2009 increased by 61.2% to 119,258 sq.m. from 73,977 sq.m. in 2008 primarily as a result of the completion of Harbin Project, Shenyang Project and Wuhan Hanzheng Street Project in 2009. We also transferred approximately 6,448 sq.m. of the Heilongjiang Renhe Spring Project (Youyi Road Section) at an average selling price of RMB29,284 per sq.m. which was acquired in 2009 at an average cost of RMB9,943 per sq.m.

Cost of Sales

Cost of sales increased by 99.8% to RMB1,059.1 million (US$155.2 million) in 2009 from RMB530.2 million in 2008, as our revenue from transfers of operation rights increased significantly in 2009 which resulted in an increase of cost of sales during the period.

Cost of operating lease. Cost of operating lease increased by 80.5% to RMB60.1 million (US$8.8 million) in 2009 from RMB33.3 million in 2008. Despite of the decrease in our revenue from lease income as a result of our transfer of certain underground shops in Phases I to III of Harbin Project and Phase I of Guangzhou Project by the end of 2008, our cost of operating lease increased because of an increase in depreciation of investment properties relating to Phase I of Zhengzhou Project and Phase I of Shenyang Project.

Cost of transfer of operation rights. Cost of transfer of operation rights increased by 101.1% to RMB999.1 million (US$146.4 million) in 2009 from RMB496.9 million in 2008. This increase was primarily due to the increase of GFA transferred and higher construction costs per sq.m. in our recently constructed projects in Shenyang, Harbin and Wuhan which were transferred in 2009 compared to the construction costs for Phases I and III of Harbin Project which were constructed in 1991 and 2003, respectively, and transferred in 2008.

Gross Profit

Gross profit increased by 23.2% to RMB3,103.8 million (US$454.7 million) in 2009 from RMB2,520.1 million in 2008. Our gross profit margin decreased to 74.6% in 2009 from 82.6% in 2008.

Other Income

Other income increased by over 31 times to RMB1,965.8 million (US$288.0 million) in 2009 from RMB61.8 million in 2008.

This increase was primarily due to the net gain on disposal of equity interest in subsidiaries in the amount of RMB1,906.8 million (US$279.3 million) in 2009 when we sold 100% of our equity interest in our subsidiary, Victory Faith Group Limited. Victory Faith Group Limited held the interest of the underground shop units in Phase I of Zhengzhou Project. The total consideration for this sale was HK$2,765.4 million, 30% of which was paid in cash by the transferee in 2009 and the balance will be payable in cash by June 30, 2010.

The increase in other income from 2008 to 2009 was also due to an increase in our income from property management and relevant services in the amount of RMB7.8 million (US$1.1 million), reflecting the growing number of shop units under our management. In 2008, we recorded a one-time gain of RMB10.7 million which represented the accumulated interests and penalty that were waived by Everbright Bank for which we were liable under an old loan.

Administrative Expenses

Administrative expenses increased by 132.7% to RMB253.4 million (US$37.1 million) in 2009 from RMB108.9 million in 2008, primarily due to the increase in salary and bonuses of our administrative staff to RMB120.2 million in 2009 from RMB32.8 million in 2008 as well as increases in consulting fees, entertainment expenses and operating lease charges.

Other Operating Expenses

Other operating expenses increased by 96.9% to RMB144.9 million (US$21.2 million) in 2009 from RMB73.6 million in 2008, primarily due to increase in salary and bonuses of operating staff, repair and maintenance costs and advertising and promotion expenses.

Profit from Operations

Profit from operations increased by 94.7% to RMB4,671.3 million (US$684.3 million) in 2009 from RMB2,399.4 million in 2008, as a result of the cumulative effect of the foregoing factors. Our operating margin increased to 112.2% in 2009 from 78.7% in 2008.

Finance Income

Finance income decreased by 37.9% to RMB11.8 million (US$1.7 million) in 2009 from RMB19.0 million in 2008, primarily due to a decrease in the interest rate on our bank deposits.

Finance Expenses

Finance expenses decreased by 63.2% to RMB4.6 million (US$0.7 million) in 2009 from RMB12.5 million in 2008. Because we did not incur interest expenses relating to any loans or borrowings in 2009, our finance expenses primarily represented exchange losses arising from holding and exchanging foreign currency by our subsidiaries in the PRC.

Profit Before Taxation

Profit before taxation increased by 94.5% to RMB4,678.5 million (US$685.4 million) in 2009 from RMB2,406.0 million in 2008, as a result of the cumulative effect of the foregoing factors. As a percentage of revenue, profit before taxation increased to 112.4% in 2009 from 78.9% in 2008.

Income Tax

Income tax increased by 27.4% to RMB640.9 million (US$93.9 million) in 2009 from RMB502.9 million in 2008. As a percentage of revenue, income tax decreased slightly to 15.4% in 2009 from 16.5% in 2008, and our effective tax rate decreased to 13.7% in 2009 from 20.8% in 2008, primarily due to the exemption from PRC income tax for the proceeds of our disposal of our subsidiaries for Phase I of Zhengzhou Project, which was conducted through the sale of our equity interest in a British Virgin Islands entity.

Profit for the Year

Profit for the year increased significantly by 112.2% to RMB4,037.6 million (US$591.5 million) in 2009 from RMB1,903.0 million in 2008, as a result of the cumulative effect of the foregoing factors. As a percentage of revenue, profit for the year increased to 97.0% in 2009 from 62.4% in 2008.

2008 Compared to 2007

Revenue

Our revenue increased by 732.3% to RMB3,050.3 million in 2008 from RMB366.5 million in 2007, primarily due to significant growth in revenue generated from transfer of operation rights, which increased by over 14 times to RMB2,868.2 million.

Lease income. Revenue generated from lease income increased by 3.2% to RMB182.1 million in 2008 from RMB176.5 million in 2007, primarily due to an increase in the average rental price that we achieved in 2008, partially offset by a decrease in leasable GFA as a result of our transfer of operation rights of Phase I to Phase III of Harbin Project and Phase I of Guangzhou Project.

Transfer of Operation Rights. Revenue generated from the transfer of operation rights increased significantly to RMB2,868.2 million in 2008 from RMB190.0 million in 2007, primarily due to an increase in transfer of GFA realized and to a lesser degree, an increase in average transfer price. Phase I of Guangzhou Project and Phase I of Zhengzhou Project achieved the strongest performance. A total of 28,729 sq.m. was transferred for Phase I of Guangzhou Project and realized an average transfer price of RMB46,786 per sq.m., and Phase I of Zhengzhou Project which commenced operation in late December 2008 recorded a transfer of GFA of 22,792 sq.m. and realized an average transfer price of RMB43,694 per sq.m. In 2008, we also transferred 18,433 sq.m. GFA of Phase III of Harbin Project. Since Phase III of Harbin Project and Phase I of Guangzhou Project were still entitled to tax exemption, they were subject to an income tax rate of 12.5%. Therefore, we decided to transfer the operation rights of these two projects in 2008 with an aim of enhancing the tax benefits to us as a whole.

Cost of Sales

Cost of sales increased by 553% to RMB530.2 million in 2008 from RMB81.1 million in 2007, primarily due to the significantly increase in transfers of operation rights in 2008 which resulted in an increase of cost of sales during the period.

Cost of operating lease. Cost of operating lease decreased by 12.4% to RMB33.3 million in 2008 from RMB38.0 million in 2007, primarily due to the relatively lower cost of operating lease with respect to the GFA that was leased out in 2008 as a result of the transfer of shop units in Phase I of Guangzhou Project in 2008 which was used for leasing in 2007.

Cost of transfer of operation rights. Cost of transfer of operation rights increased by 1,052.9% to RMB496.9 million in 2008 from RMB43.1 million in 2007, primarily due to the significant increase of GFA transferred in 2008 as compared with 2007.

Gross Profit

Gross profit increased by 783.1% to RMB2,520.1 million in 2008 from RMB285.4 million in 2007. Our gross profit margin increased to 82.6% in 2008 from 77.9% in 2007. The increase in gross profit margin was primarily attributable to the substantial increase in the income from the transfer of operation rights in 2008, as well as the upward adjustment of average rental rates of our shopping centers in 2008.

Other Income

Other income increased by 14.0% to RMB61.8 million in 2008 from RMB54.2 million in 2007, primarily due to a one-time income of RMB10.7 million, representing the accumulated interests and penalty that were waived by Everbright Bank.

Administrative Expenses

Administrative expenses increased significantly by 744.2% to RMB108.9 million in 2008 from RMB12.9 million in 2007, primarily due to the expenses of a management incentive scheme for our management personnel of RMB22.3 million, directors' remuneration of RMB24.8 million, donation of RMB5.8 million in connection with the Sichuan earthquake and an increase in other administrative expenses such as entertainment and travelling expenses.

Other Operating Expenses

Other operating expenses increased by 116.5% to RMB73.6 million in 2008 from RMB34.0 million in 2007, primarily due to an increase in staff costs, repair and maintenance costs and advertising and promotion expenses.

Profit from Operations

Profit from operations increased significantly by 719.7% to RMB2,399.4 million in 2008 from RMB292.7 million in 2007, as a result of the cumulative effect of the foregoing factors. Our operating margin decreased to 78.7% in 2008 from 79.9% in 2007.

Finance Income

Finance income increased significantly by 512.9% to RMB19.0 million in 2008 from RMB3.1 million in 2007. We completed private placements of shares in December 2007 and an initial public offering and listing of shares on the Hong Kong Stock Exchange in October 2008. Our bank deposits in 2008 increased substantially as a result of the proceeds from these transactions and thus we recorded a significant increase in interest income.

Finance Expenses

Finance expenses decreased by 29.8% to RMB12.5 million in 2008 from RMB17.8 million in 2007. Our finance expenses in 2007 were interest expenses for our bank loans while those in 2008 were exchange losses arising from holding and exchange of foreign currency by our subsidiaries in China.

Profit Before Income Tax

Profit before income tax increased significantly by 765.5% to RMB2,406.0 million in 2008 from RMB278.0 million in 2007, as a result of the cumulative effect of the foregoing factors. As a percentage of revenue, profit before taxation increased to 78.9% in 2008 from 75.8% in 2007.

Income Tax

Income tax significantly increased to RMB502.9 million in 2008 from RMB11.3 million in 2007. As a percentage of revenue, income tax increased to 16.5% in 2008 from 3.1% in 2007. Our effective tax rate in 2008 was lower than the unified tax rate at 25% promulgated under the Enterprise Income Tax Law of the PRC on March 2007 principally due to some of our projects having commenced construction work prior to implementation of the New Tax Law. These projects were thus entitled to tax exemption for the first two profit-making years and a 50% tax relief in the following three years. In 2008, Phase III of Harbin Project and Phase I of Guangzhou Project were subject to a tax rate of 12.5% and the other projects were subject to a tax rate of 25%.

Profit for the Year

As a result of the factors described above, profit for the year increased significantly by 613.6% to RMB1,903.0 million in 2008 from RMB266.7 million in 2007. As a percentage of revenue, profit for the year decreased to 62.4% in 2008 from 72.8% in 2007, as a result of the cumulative effect of the foregoing factors.

Liquidity and Capital Resources

In 2007, 2008 and 2009, we financed our working capital, capital expenditures and other capital requirements primarily through proceeds from lease income and the transfer of operation rights, as well as proceeds from our private placements in 2007, our initial public offering of shares in the Hong Kong Stock Exchange in October 2008 and our placement of shares in July 2009.

Liquidity

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated.

	Year ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash from operating activities............	220,331	536,718	1,691,180	247,759
Net cash used in investing activities	(77,960)	(1,546,706)	(1,897,646)	(278,007)
Net cash from financing activities.............	1,375,857	2,808,008	1,627,481	238,427
Net increase in cash and cash equivalents	1,518,228	1,798,020	1,421,015	208,179

Cash Flows From Operating Activities

Our cash inflow from operating activities is principally generated from lease income and the proceeds from transfer of operation rights as well as revenue from property management and relevant services. Our cash outflow from operating activities is mainly for expenditures related to cost of sales as well as administrative expenses, other operating expenses and finance expenses. These accrual basis net profit items are supplemented by non-cash items, such as depreciation, amortization and non-cash expense accruals, and changes in working capital, including increase or decrease in trade and other payables, inventories and restricted bank deposits.

In 2009, our net cash generated from operating activities was RMB1,691.2 million (US$247.8 million), which primarily reflected our profit for the year of RMB4,037.6 million (US$591.5 million), positively adjusted by an increase in trade and other payables of RMB1,829.6 million (US$268.0 million) primarily related to the payables in connection with construction work, significantly offset by (i) the gain of disposal of our interest in the subsidiary for Phase I of Zhengzhou Project of RMB1,906.8 million (US$279.3 million) in 2009; (ii) an increase in trade and other receivables of RMB1,946.4 million (US$285.1 million) in connection with the receivables in connection with, among other things, the disposal of our interest in the subsidiary for Phase I of Zhengzhou Project and (ii) income tax paid of RMB674.3 million (US$98.8 million).

In 2008, our net cash generated from operating activities was RMB536.7 million, which primarily reflected our profit for the year of RMB1,903.0 million, positively adjusted by an increase in trade and other payables of RMB278.1 million primarily related to the payables in connection with construction work, significantly offset by (i) an increase in trade and other receivables RMB2,043.7 million in connection with the transfer of operation rights relating to Phase I of Guangzhou Project and Phase I of Zhengzhou Project and (ii) an increase in inventory of RMB129.0 million.

In 2007, our net cash generated from operating activities was RMB220.3 million, which primarily reflected our profit for the year of RMB266.7 million, positively adjusted by (i) a decrease in inventory of RMB38.4 million, (ii) a depreciation of RMB38.2 million and (iii) a decrease in restricted bank deposit of RMB22.4 million. These positive factors were partially offset by (i) a decrease in trade and other payables of RMB152.5 million and (ii) an increase in trade and other receivables of RMB5.5 million.

Cash Flows From Investing Activities

Our cash used in investing activities primarily reflects additions to investment properties, purchase of property and equipment, purchase of land use rights and advances to related parties in 2007. Our cash generated from investing activities primarily reflects repayment from related parties, proceeds from sales of property and equipment and interest received.

A significant portion of our cash flow from investing activities in 2007 is attributable to advances to and repayments from related parties. Before the restructuring and reorganization in connection with our initial public offering, we were a private company under the control of Harbin Renhe Group Co., Ltd ("Renhe Group") whereby Renhe Group and its controlling shareholders, Mrs. Hawken, Shining Hill and Super Brilliant who are together entitled to control, directly or indirectly the exercise of approximately 56.44% of the voting rights of our issued share capital (the "Controlling Shareholders") used advances among the different companies they controlled as a way to allocate cash and resources among the different businesses and entities. In addition, we made advances to our directors and Controlling Shareholders. Those advances to our related parties were unsecured, interest free and had no fixed repayment terms. We have eliminated the advances to our related parties since our initial public offering. The following table is a summary of the advances to and repayments from related parties made in 2007, 2008 and 2009:

	2007		2008		2009	
	Advance to	Repayment from	Advance to	Repayment from	Advance to	Repayment from
	(RMB in thousands)					
HAWKEN Xiu Li	1,000	49	–	–	–	–
ZHANG Xingmei	8	8	–	–	–	–
DAI Yongge	–	109	5	5	–	–
ZHANG Dabin	–	67	–	–	–	–
Renhe Group	201,507	129,680	10	110,149	–	–
Other related-party companies	127,039	252,713	417	6,434	–	–
Total	329,554	382,626	432	116,588	–	–

In 2009, our net cash used in investing activities was RMB1,897.6 million (US$278.0 million). Cash used in investing activities in 2009 consisted primarily of (i) additions to investment properties of RMB2,106.9 million (US$308.7 million), related to the completion of Shenyang Project, Wuhan Hanzheng Street Project and our acquisition of Harbin Renhe Spring Project, (ii) purchase of property and equipment of RMB242.9 million (US$35.6 million); and (iii) an increase in time deposits of RMB248.3 million (US$36.4 million). This was partially offset by the proceeds that we received in 2008 from the disposal of our subsidiary for Phase I of Zhengzhou Project in the amount of RMB685.5 million (US$100.4 million).

In 2008, our net cash used in investing activities was RMB1,546.7 million. Cash used in investing activities in 2008 consisted primarily of (i) additions to investment properties of RMB1,333.2 million, related to the completion of Phase I of Zhengzhou Project and (ii) purchase of property and equipment of RMB355.2 million. This was partially offset by repayments from related parties of RMB116.6 million.

In 2007, our net cash used in investing activities was RMB78.0 million. Cash used in investing activities in 2008 consisted primarily of (i) advances to related parties of RMB329.6 million, and (ii) additions to investment properties of RMB89.9 million, related to the completion of the Phase I of Guangzhou Project. This was partially offset by repayments from related parties of RMB382.6 million.

Cash Flows From Financing Activities

Our cash from financing activities primarily reflects capital contributions from equity shareholders, proceeds from third party borrowings, receipt of loans and, in 2007, advances from related parties. Our cash used in financing activities reflects repayments to related parties, interest and dividend payments, repayments of third party borrowings and repayments of loans.

Prior to our initial public offering, when we needed cash, we received advances from our Controlling Shareholders, Renhe Group or other related-party companies. The following table is a summary of the advances we received from and repayments made to related parties in 2007, 2008 and 2009:

	2007		2008		2009	
	Advance from	**Repayment to**	**Advance from**	**Repayment to**	**Advance from**	**Repayment to**
			(RMB in thousands)			
HAWKEN Xiu Li	–	–	89	14,249	–	–
ZHANG Xingmei	14	1,800	–	–	–	–
Renhe Group	84,645	81,090	777	23,724	–	–
Other related-party companies	26,189	58,213	948	11,631	–	–
Total	110,848	141,103	1,814	49,604	–	–

In 2009, our net cash generated from financing activities was RMB1,627.5 million (US$238.4 million). We completed a follow-on offering of our ordinary shares on July 16, 2009 with the proceeds of RMB3,279.3 million (US$480.4 million), partially offset by the payment of expenses in connection therewith in the amount of RMB127.8 million (US$18.7 million) and payment of dividends declared for the year ended December 31, 2008 in the amount of RMB1,524.0 million (US$223.3 million).

In 2008, our net cash generated from financing activities was RMB2,808.0 million. We completed the initial public offering of shares on October 22, 2008 and received proceeds of RMB2,987.5 million. This was partially offset by the payment of issuing expenses of RMB123.2 million in connection therewith and repayments to related parties of RMB49.6 million.

In 2007, our net cash generated from financing activities was RMB1,375.9 million in 2007. We received during this period capital contributions from equity shareholders in the amount of RMB1,437.7 million related to the investments and advance from related parties of RMB110.8 million. This was partially offset by (i) repayments to related parties of RMB141.1 million and (ii) interest payments of RMB16.4 million.

Capital Resources

As a result of the cash we generated from our operations, we were able to fund the majority of our growth through internal funds without any bank borrowings in 2008 and 2009. Our initial public offering in October 2008 and placement of shares in July 2009 also helped reinforce our capital position.

We intend to continue to fund our future development and Notes servicing costs primarily from cash generated from operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations and the liquidity of international and domestic financial markets. Any failure by us to achieve timely extension or refinancing of our debt may result in our inability to meet our obligations in connection with debt service, accounts payable or other liabilities when they become due and payable. See "Risk Factors – Risks Relating to Our Business – We may not have adequate resources to fund project developments, or to service our financing obligations."

Restricted Cash

Our restricted cash is composed of bank deposits. Our subsidiaries relating to Phases I to III of Harbin Project and Phase I of Guangzhou Project have entered into agreements with various local banks with respect to bank loans provided to transferees of operation rights. These subsidiaries are required to open restricted bank accounts with the respective bank for the receipt of purchase money that is financed by bank loans, and are contractually required to make deposits equivalent to 10% or 15%

of the principal amount of the loan as security for repayment of the loans under these agreements. These restricted deposits are released when the loans are repaid by the buyers. As of December 31, 2007, 2008 and 2009, such deposits amounted to approximately RMB206.7 million, RMB129.1 million and RMB458.1 million (US$67.1 million), respectively.

As of December 31, 2007, the amount of restricted bank deposits being pledged to secure each of those loans by our subsidiary relating to Phase I of Guangzhou Project was equivalent to the sum of the principal amount of the loan and an additional 16% of the principal amount. In May 2008, the bank and we made amendments to reduce the restricted bank deposits ratio to 15% of the remaining principal of those loans. The balance of bank deposits in the relevant restricted bank accounts of our subsidiary for Phase I of Guangzhou Project as of December 31, 2009 was RMB401.0 million (US$58.7 million), a significant portion of which were our deposits in such accounts but not subject to the restrictions.

According to the agreements entered among our subsidiaries relating to Phases I to III of Harbin Project and a bank, the amount of restricted bank deposits accounted for 10% or 15% of the principal of each of those loans. As of December 31, 2009, the amount of restricted bank deposits of our subsidiaries for Phases I to III of Harbin Project in aggregate amounted to RMB57.1 million (US$8.4 million).

Indebtedness and Obligations

Interest-Bearing Bank Loans and Other Borrowings

As of December 31, 2008 and 2009, we did not have any outstanding bank and other borrowings. As of December 31, 2007, we had bank and other borrowings in the amount of RMB48.5 million, which was fully repaid in 2008.

As of December 31, 2009, we also had guarantees of our transferees' borrowings in an aggregate outstanding amount of RMB980.2 million (US$143.6 million) and did not have any outstanding guarantees to our related parties and third parties for bank loans.

We did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as of December 31, 2009.

Contractual Obligations

We lease office space under non-cancellable operating leases. The leases relate to offices in Hong Kong, Xi'an, Chongqing, Harbin, Guangzhou, Wuhan, Handan and Weifang and several other cities in the PRC. The following table sets forth our minimum lease payments under non-cancellable operating leases as of December 31, 2009.

	December 31, 2009	
	RMB	US$
	(in thousands)	
Less than one year	15,874	2,326
Between one and five years	78,454	11,494
More than five years	1,950	286
Total	96,278	14,106

In addition to the operating lease commitments set out above, we had the following capital commitments as of December 31, 2009.

	December 31, 2009	
	RMB	US$
	(in thousands)	
Contracted for	1,096,289	160,607
Authorized but not contracted for	1,248,794	182,949
Total	2,345,083	343,556

We expect to fund such capital commitments principally from cash generated from our operations and proceeds from this offering.

Trade and Other Receivables

We have trade receivables due from third parties which amounted to RMB6.0 million, RMB1,834.0 million and RMB2,499.4 million (US$366.2 million) as of December 31, 2007, 2008 and 2009, respectively. The corresponding trade receivable turnover days in each of 2007, 2008 and 2009 were 6 days, 216 days and 216 days, respectively. The significant increase in trade receivables as of December 31, 2008 was related to a sharp increase in revenue generated from the transfer of operation rights of shop units in Phases I to III of Harbin Project, Phase I of Guangzhou Project and Phase I of Zhengzhou Project in December 2008 where most of the transferee of the operation rights were in the process of completing the procedures for applying for their respective loans by the year end. The further increase in trade receivables in 2009 was primarily related to the receivable of RMB570 million (US$83.5 million) in connection with our transfer of 30,000 sq.m. GFA in the Shenyang Project.

Our receivables as of December 31, 2009 also included RMB1,704.4 million (US$249.7 million) in connection with the disposal of our interest in Phase I of Zhengzhou Project. This represented the balance of payment which is expected to be received on or before June 30, 2010 according to the terms of the Sales and Purchase Agreement that we entered into with the transferee. See "Business – Our Projects – Phase I of Zhengzhou Project." As of the date of this offering memorandum, this receivable is still outstanding. In addition, we had other receivables of RMB595.6 million as of December 31, 2009, among which RMB550.6 million (US$80.7 million) was owed to us by the offshore entities for Phase I of Zhengzhou Project. This used to be part of our inter-company financing arrangement and becomes our receivables when we disposed of interest in Phase I of Zhengzhou Project. The amount is due June 30, 2010. If we are unable to collect these receivables, our results of operations and financial condition would be adversely affected. The balances of trade and other receivables, including deposits for construction, deposits and advances to third parties, are expected to be settled or recovered within one year.

Trade and Other Payables

Our trade and other payables as of December 31, 2007, 2008 and 2009, respectively, were as follows:

	Year ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Receipt in advance	548,016	124,715	167,600	24,554
Construction payables	48,527	129,496	354,523	51,938
Other taxes payable	8,280	134,230	126,316	18,505
Deposits	53,358	67,815	325,358	47,665
Salary and welfare expenses payable	3,938	33,645	76,519	11,210
Professional service fee payables	–	17,885	7,104	1,041
Dividends payable	23,879	–	–	–
Amounts due to related parties	29,342	–	–	–
Others	8,344	23,508	69,217	10,140
Total	723,684	531,294	1,126,637	165,053

Our receipt in advance primarily relates to the transfer of operation rights for our shop units in Harbin, Guangzhou, Zhengzhou and Shenyang and the rental income received in advance. Construction payables mainly represent unpaid construction cost for our projects in Harbin, Guangzhou, Zhengzhou, Shenyang, Wuhan, Chongqing, Weifang, and Handan, the payment terms of which were determined through negotiation with each individual contractor and reflected in the construction contracts. Other taxes payables mainly represent the payables of business tax, which is 5% of revenue. It also includes the payables of stamp duty and the individual income taxes withheld by us pursuant to the requirements under PRC tax laws and regulations.

The due date of construction payables included in current liabilities as of December 31, 2007, 2008 and 2009 is as follows:

	Year ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Due within one year	44,665	123,625	350,270	51,315
Overdue	3,862	5,871	4,253	623
Total	48,527	129,496	354,523	51,938

Our overdue trade and other payables were primarily related to the delayed payment of construction expenses for certain of our projects.

Working Capital

As of December 31, 2009, our net current assets was RMB8,956.7 million (US$1,312.2 million), comprising the following:

	As of December 31, 2009	
	RMB	US$
	in thousands	
Current assets		
Inventories	121,265	17,765
Trade and other receivables	5,440,822	797,085
Cash at bank and on hand	4,904,426	718,503
Total current assets	10,466,513	1,533,353
Current liabilities		
Trade and other payables	1,126,637	165,053
Taxation	383,132	56,129
Total current liabilities	1,509,769	221,182

Off-Balance Sheet Commitments and Arrangements

We arranged bank financing with Bank of China and Harbin Bank for the purchasers of shop units in Phase I to III of Harbin Project and Phase I of Guangzhou Project. In accordance with market practice in the PRC, we are required by the banks to guarantee the repayment of the bank loans granted to the transferees for the financing of the transfer of the operation rights of the respective shop units. These guarantees are fully released when the transferees repay their bank loans in full, normally for a term of three to five years. As of December 31, 2007, 2008 and 2009, we had guarantees in respect of our transferees' borrowings in an aggregate outstanding amount of approximately RMB169.0 million, RMB294.2 million and RMB980.2 million (US$143.6 million), respectively.

We have not entered into any derivative contracts and do not have any variable interests in any non-consolidated entities that provide financing, liquidity, market risk or credit support to us or engage in leasing or hedging or research and development services with us.

Market Risk

Interest Rate Risk
Because we have not had any outstanding bank borrowings since 2008, changes in interest rates have not affected our finance expenses. In response to the global economic crisis, the PBOC reduced the benchmark one-year lending rates in China from 7.47% as of December 31, 2007 to 5.31% as of December 31, 2009. However, there is no assurance that the interest rates will not be adjusted upwards in the future. An increase in interest rates would adversely affect our prospective transferees' ability to obtain financing and may depress overall demand for our shop units. Higher interest rates may adversely affect our revenue, gross profits and net profits.

Foreign Exchange Rate Risk
We conduct our business predominantly in China and receive all our revenues in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's economic and political conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar.

All of our cash and bank balances denominated in Renminbi are placed in banks in China. Renminbi is not freely convertible and the remittance of earnings overseas is subject to exchange control promulgated by the Chinese government. All our revenue-generating operations are transacted in Renminbi. Foreign currency payments, including the remittance of earnings outside China, are subject to the availability of foreign currency (which depends on our foreign currency denominated earnings) or must be arranged through the PBOC with government approval. We, therefore, are exposed to foreign exchange risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and Hong Kong dollar against foreign currencies can affect our operational results. See "Risk Factors – Risks Relating to the PRC – Fluctuations in the exchange rate of Renminbi may materially and adversely affect our business, financial condition and results of operations." We currently do not hedge our foreign exchange risk but may do so in the future.

Credit Risk
We have policies in place to evaluate credit risk when we commence a new project and to limit our credit exposure to individual customers. Given that we request that tenants pay rental and other service fees in advance, the credit risk of rental and service fees receivables is low. However, we typically guarantee the bank loans undertaken by our customers to finance their purchase of operation rights and in certain cases pledge cash in restricted accounts as security. As of December 31, 2009, we had restricted bank deposits pledged as security in the amount of RMB458.1 million (US$67.1 million). If a purchaser defaults on the payment of its bank loan during the term of the guarantee, the bank may demand that we repay the outstanding amount under the loan and any accrued interest thereon and take the cash deposited in the restricted accounts as such repayment. Under such circumstances, we are entitled to indemnification from the customers which includes the right to transfer the operation rights of the relevant shop units to recover any amounts paid by us to the bank, but there can be no assurance that we would be able to transfer any such shop units at a price equal to or greater than the amount necessary to pay off the defaulting purchaser's outstanding loan amount and any accrued interest.

Inflation
According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was 4.8% in 2007, 5.9% in 2008 and -0.7% in 2009. We have not in the past been materially affected by inflation, but we can provide no assurance that we will not be affected in the future.

Commodities Risk

We utilize large quantities of construction materials, including steel and concrete, in our project developments. We typically enter into fixed or guaranteed maximum price construction contracts with independent construction companies, each of which covers the development of a significant part of our overall project. These contracts typically cover both the supply of the building materials and the construction of the facility, for a construction period of one year or more. If the price of construction materials were to increase significantly prior to our entering into a fixed or guaranteed maximum price construction contract, we might be required to pay more to prospective contractors.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our profit before interest income/expenses, amortization of intangible assets, non-operating income/expenses, income tax expense and depreciation. EBITDA is not a standard measure under IFRSs or US GAAP. As the development of underground shopping center is capital intensive, capital expenditure and levels of debt and interest expenses may have a significant impact on the profit for the year of companies with similar operating results. Therefore, we believe that the investor community commonly uses this type of financial measure to assess the operating performance of companies engaged in business similar to us.

As a measure of our operating performance, we believe that the most directly comparable IFRSs measure to EBITDA is profit from operations for the year. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest income and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible asset amortization and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with the results of other companies. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our profit for the year under IFRSs to our EBITDA for the years indicated.

	Year Ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Profit from operations	292,670	2,399,446	4,671,287	684,347
Depreciation	38,193	33,764	65,294	9,566
Amortization	1,257	1,030	407	60
EBITDA	332,120	2,434,240	4,736,988	693,973
EBITDA Margin(1)	90.6%	79.8%	113.8%	113.8%

(1) EBITDA margin refers to EBITDA divided by revenue for the relevant year, expressed as a percentage.

You should not consider our EBITDA in isolation or construe it as an alternative to cash flows, profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities or any other standard measure under IFRSs or US GAAP. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA presented in this offering memorandum may not be comparable to similarly titled measures presented by other companies. EBITDA, as presented in this offering memorandum, also differs from Consolidated EBITDA, as defined in the Notes.

Changes in Accounting Policies

The International Accounting Standards Board has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*
- IAS 1, *Presentation of financial statements* (revised 2007)
- Improvements to IFRSs (2008)
- Amendments to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Amendments to IFRS 2, *Share-based payment – vesting conditions and cancellations*
- IFRIC 15, *Agreements for the construction of real estate*

IFRS 8, the amendments to IAS 27 and IFRS 2 and Interpretation IFRIC 15 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the financial statements. The impact of the remainder of these developments is as follows:

- As a result of the adoption of IAS 1, *Presentation of financial statements* (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting polices:
  - As a result of amendments to IAS 40, *Investment property*, investment property that is under construction is recorded and measured as investment property, which was previously recorded as property and equipment. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively and previous periods have not been restated.

Industry Overview

The information and statistics set out in this section and elsewhere in this offering memorandum relating to the relevant industries that affect our business have been extracted from official government publications and sources. We have not independently verified such information or statistics. None of us, our directors or advisors or any other party involved in the offering makes any representation as to the accuracy or completeness of such information and statistics nor any underlying economic assumptions relied upon therein.

Introduction

We focus on the operation and development of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China. The underground space we develop that is categorized as underground civil air defense shelters is governed by the relevant laws and regulations in China. For a more detailed description of the laws and regulations applicable to us, see "Regulation." To maximize the limited space for commercial use in highly-developed commercial areas, the government has permitted the development and commercialization of underground air defense shelters by the private sector.

The development of underground commercial facilities can also be found in other countries. In Japan, underground civil facilities had been developed with government planning and private sector participation. Many of the successful underground shopping spaces were developed as extensions of railway or subway stations in densely developed urban areas. In the United States, the development of underground space commenced in 1970s. In Seattle, Washington, Two Union Square was designed as a multi-level underground plaza with the exits of each level connected to the surrounding main roads. In Paris, France, the world renowned Musée du Louvre is connected to an underground facility integrating subway, carpark and shopping area right in the middle of the highly developed city center.

Although the historical background as well as the form and format of underground facility developments vary, we believe that the main driving forces of such developments are the public and commercial needs for space in highly-developed areas.

Underground Space in the PRC

Similar to the trends in other countries, the commercial use of underground space in China has been concentrated in highly-developed areas, and the development of underground space in China gathered momentum when the government authorities promulgated rules in 1983 allowing for the development of underground civil air defense shelters for commercial use. In 1990s, for the first time, PRC laws and regulations explicitly allowed foreign capital to invest in the development and operation of underground civil air defense shelters. Subsequently, rules and notices were issued to encourage private and foreign enterprise participation in the development of underground civil air defense shelters. A brief timeline of key reforming activities is set out below:

1983	The PRC government promulgated rules relating to the development and use of underground civil air defense shelters during peace time.
1993	The PRC government promulgated rules to explicitly permit the development of underground civil air defense shelters funded by private and foreign capital.
1997	The PRC government promulgated rules providing for the favorable tax treatment for foreign invested enterprises engaged in the underground civil air defense shelters sector.

2001	The PRC government issued a notice requiring that the ownership and operation rights of underground civil air defense shelters be separated and that operation rights be transferable in a market-based system.
2003	The PRC government promulgated rules regarding the approval process for and the administration and supervision of the development and construction of underground civil air defense shelters using private and foreign capital.

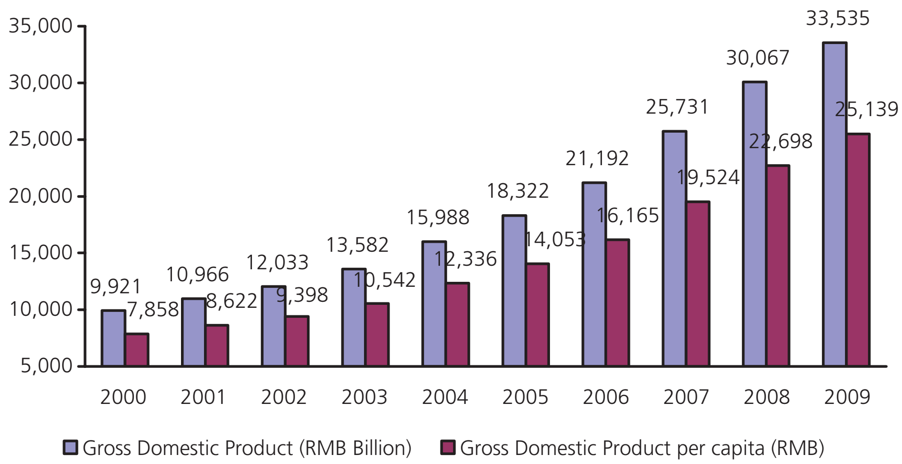
We have obtained approvals for the projects (項目建議書批覆) from the competent PRC authorities for our projects. See "Business – Our Projects."

Unlike integrated underground shopping centers which are typically developed together with, and will be restricted by, the structure of the above-the-ground buildings, stand-alone underground shopping centers are planned, designed and constructed as separate facilities in many cases underneath streets and roads.

The Economy of China

The Chinese economy has grown significantly since the Chinese government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization, or WTO, in 2001 has further accelerated the reform of the PRC economy. China's gross domestic product, or GDP, has increased from approximately RMB9,921 billion in 2000 to approximately RMB33,535 billion in 2009 at a CAGR of approximately 14.5%. On December 11, 2004, nine business sectors, including the retail industry, were fully opened to foreign participation in line with the commitments which China made upon accession to the WTO. The following graph sets forth China's GDP and GDP per capita in China in each of the years from 2000 to 2009.

GDP and GDP per Capita in China



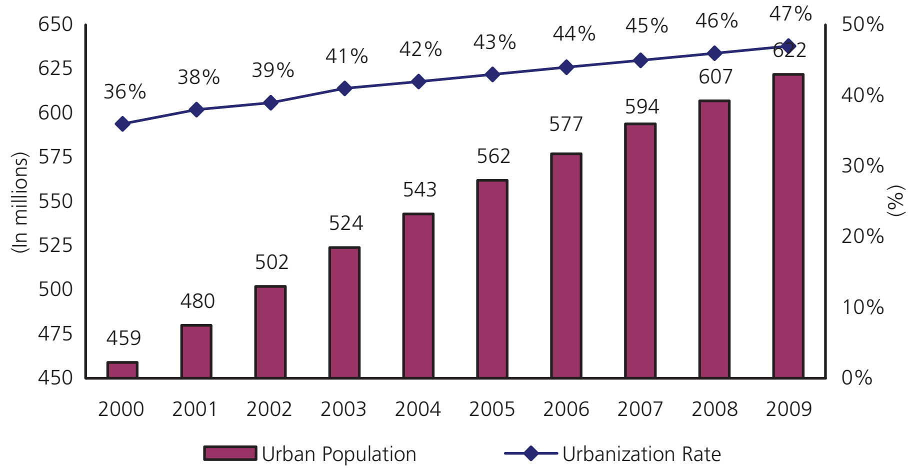
Source: National Bureau of Statistics of China

The International Monetary Fund estimated in its World Economic Outlook Database published in October 2009 that China's real GDP is forecasted to grow at an annual rate of 9.0% in 2009, surpassing many developed economies in the world.

The urban population and urbanization rate of China have shown a consistent upward trend alongside its economic development. According to the National Bureau of Statistics of China, the total urban population in China increased to 622 million as of December 31, 2009, from 459 million as of December 31, 2000, representing an increase of 35.5%. The urbanization rate, defined as the urban population as a percentage of the total population, increased from 36.2% in 2000 to 46.6% in 2009. We believe such trends will increase the need for more underground space in densely populated cities as shelters in times of war. We also believe that such trends will lead to increased consumer spending as average disposable income is higher in cities compared to rural areas. We expect these factors will have a positive impact on our underground shopping center business.

The graph below illustrates the growth of urban population and urbanization rate in China in each of the years from 2000 to 2009.

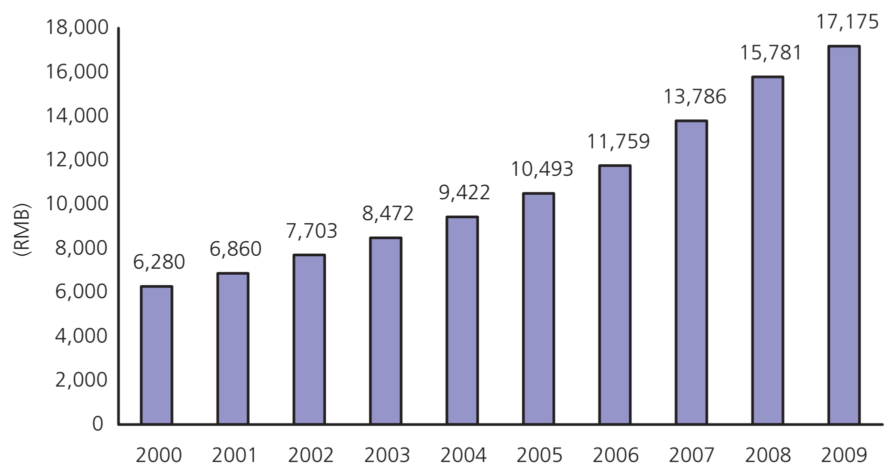
Urban Population and Urbanization Rate in China



Source: National Bureau of Statistics of China

Individuals have also exhibited an increasing trend in their annual living expenditure. The illustration below shows the increase of per capita disposable income in China from RMB6,280 in 2000 to RMB17,175 in 2009, at a CAGR of 11.8%.

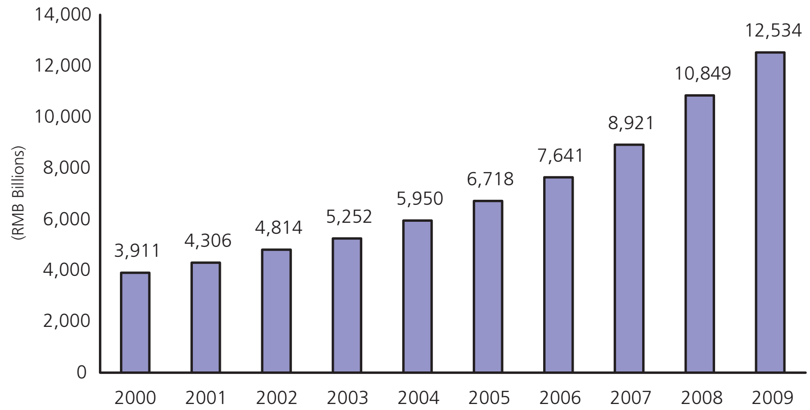
Per Capita Disposable Income



Source: National Bureau of Statistics of China

The retail sales of consumer goods also increased in the years from 2000 to 2009, at a CAGR of 13.8%, outpacing the growth rate of per capita disposable income.

Retail Sales of Consumer Goods



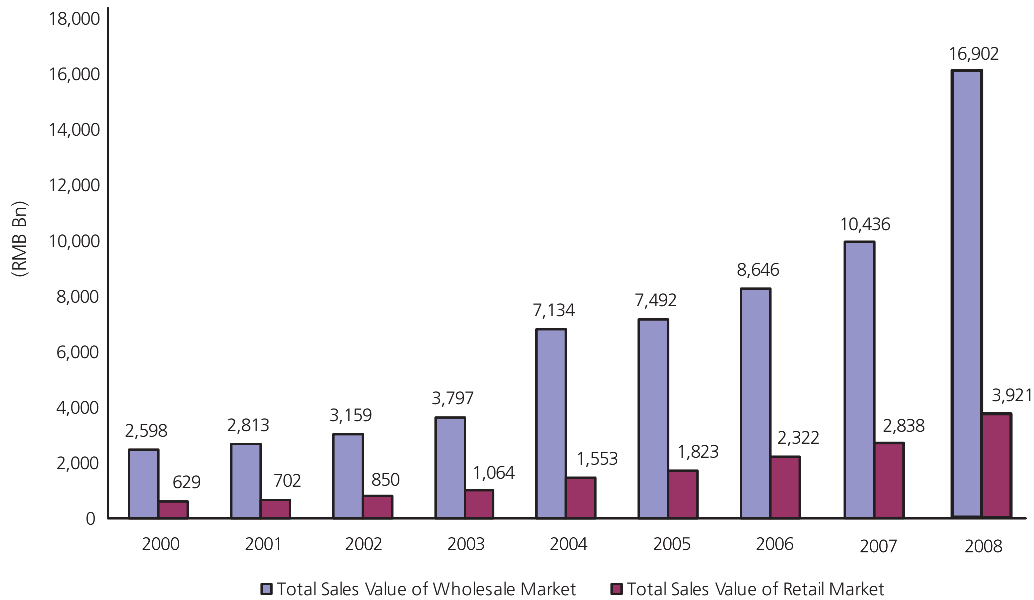
Source: National Bureau of Statistics of China

Wholesale Market in the PRC

According to the United Nations Statistics Division, "wholesale" is the resale (sale without transformation) of new and used goods to retailers, to industrial, commercial, institutional or professional users, or to other wholesalers, or involves acting as an agent or broker in buying merchandise for, or selling merchandise to, such persons or companies. Wholesalers frequently physically assemble, sort and grade goods in large lots, break bulk, repack and redistribute in smaller lots.

Wholesale plays a major role in commodity transactions and the economy. In China, approximately 50% of industrial products and 80% of agricultural products are sold by wholesalers. The wholesale market represents 41% of national GDP in 2008, an increase from 26% in 2000. The illustration below shows the size in terms of total sales of wholesale and retail markets in each of the years from 2000 to 2008. During that period, the size of the sales value of wholesale market was four times of the retail market on average.

Wholesale Market and Retail Market in the PRC



Sources: National Bureau of Statistics of China

The Economies of Cities in which We Operate

Harbin

Harbin is the capital city of Heilongjiang Province in the northeastern region of China with a population of approximately 9.9 million as of 2008. The city experienced a high GDP growth rate for the five-year period from 2004 to 2008. Harbin's GDP reached approximately RMB287 billion in 2008, representing a per capita GDP of approximately RMB29,012. The per capita annual disposable income of urban households in Harbin has increased from approximately RMB8,940 in 2004 to approximately RMB14,589 in 2008, representing a CAGR of 13.0% during the period. The table below sets forth selected economic statistics of Harbin for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn)	168	183	209	244	287
Real GDP growth rate (%)	14.7%	14.1%	13.5%	13.5%	13.2%
GDP per capita (RMB)	17,321	18,852	21,374	24,768	29,012
Per capita annual disposable income of urban households (RMB)	8,940	10,065	11,230	12,772	14,589

Sources: Harbin Statistic Bureau

Guangzhou

Guangzhou is the largest city in southern China and the capital city of Guangdong Province with a population of approximately 10.2 million as of 2008. The city experienced a high GDP growth rate for the five-year period from 2004 to 2008. Guangzhou's GDP reached approximately RMB821 billion in 2008, representing a per capita GDP of approximately RMB81,233. The per capita annual disposable income of urban households in Guangzhou has increased from approximately RMB16,884 in 2004 to approximately RMB25,317 in 2008, representing a CAGR of 10.7% during the period. The table below sets forth selected economic statistics of Guangzhou for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn)	445	515	607	705	821
Real GDP growth rate (%)	15.0%	13.0%	14.7%	14.5%	12.3%
GDP per capita (RMB)	45,906	53,809	63,100	71,219	81,233
Per capita annual disposable income of urban households (RMB)	16,884	18,287	19,851	22,469	25,317

Sources: Guangzhou Statistic Bureau

Zhengzhou

Zhengzhou is the capital city of Henan Province in the central region of China with a population of approximately 7.4 million as of 2008. Zhengzhou's GDP reached approximately RMB300 billion in 2008, representing a per capita GDP of approximately RMB40,617. The per capita annual disposable income of urban households in Zhengzou has increased from approximately RMB9,364 in 2004 to approximately RMB15,732 in 2008, representing a CAGR of 13.8% during the period. The table below sets forth selected economic statistics of Zhengzhou for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn)	138	165	200	242	300
Real GDP growth rate (%)	15.5%	15.8%	15.7%	15.6%	18.4%
GDP per capita (RMB)	19,415	23,045	27,798	33,169	40,617
Per capita annual disposable income of urban households (RMB)	9,364	10,640	11,822	13,692	15,732

Sources: Zhengzou Statistic Bureau

Shenyang

Shenyang is the capital city of Liaoning Province in the northeastern region of China with a population of approximately 7.8 million as of 2008. Shenyang's GDP reached approximately RMB386 billion in 2008, representing a per capita GDP of approximately RMB54,106. The per capita annual disposable income of urban households in Shenyang has increased from approximately RMB8,924 in 2004 to approximately RMB17,295 in 2008, representing a CAGR of 18.0% during the period. The table below sets forth selected economic statistics of Shenyang for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn).................	190	208	248	307	386
Real GDP growth rate (%)............	15.5%	16%	16.5%	17.7%	16.3%
GDP per capita (RMB)	27,392	29,833	35,283	43,307	54,106
Per capita annual disposable income of urban households (RMB)..	8,924	10,098	11,651	14,607	17,295

Sources: Shenyang Statistic Bureau

Dalian

Dalian is the second largest city of Liaoning Province with a population of approximately 10.0 million as of 2008. The city experienced a high GDP growth rate for the five-year period from 2004 to 2008. Dalian's GDP reached approximately RMB386 billion in 2008, representing a per capita GDP of approximately RMB63,198. The per capita annual disposable income of urban households in Dalian has increased from approximately RMB10,378 in 2004 to approximately RMB17,500 in 2008, representing a CAGR of 14.0% during the period. The table below sets forth selected economic statistics of Dalian for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn).................	196	215	257	313	386
Real GDP growth rate (%)............	16.2%	14.2%	16.5%	17.5%	16.5%
GDP per capita (RMB)	32,274	38,155	42,579	51,624	63,198
Per capita annual disposable income of urban households (RMB)..	10,378	11,030	13,350	15,109	17,500

Sources: Dalian Statistic Bureau

Daqing

Daqing is a city of Heilongjiang Province in the northeastern region of China with a population of approximately 2.7 million as of 2008. The city experienced a high GDP growth rate for the five-year period from 2004 to 2008. In 2008, Daqing's GDP reached approximately RMB222 billion. The table below sets forth selected economic statistics of Daqing for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn).................	124	140	162	182	222
Real GDP growth rate (%)............	10.2%	10.0%	10.5%	10.5%	12.3%

Sources: Daqing Statistic Bureau

Weifang

Weifang is a prefectural level city of Shandong Province of China. The city experienced a high GDP growth rate for the three-year period form 2006 to 2008. In 2008, Weifang's GDP reached approximately RMB249 billion. The table below sets forth selected economic statistics of Weifang for the periods indicated.

	2006	2007	2008
Nominal GDP (RMB Bn)	172	206	249
Real GDP growth rate (%)	16.5%	15.8%	13.2%
Per capita annual disposable income of urban households (RMB)	11,846	13,716	15,691

Sources: Weifang Statistic Bureau

Chongqing

Chongqing is located in the central western part of China with a population of approximately 28.4 million as of 2008. The city experienced a high GDP growth rate for the five-year period from 2004 to 2008. Chongqing's GDP reached approximately RMB509.7 billion in 2008, representing a per capita GDP of approximately RMB18,025.0. The table below sets forth selected economic statistics of Chongqing for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn)	269	307	349	411	510
Real GDP growth rate (%)	4.5%	15.2%	13.7%	18.1%	23.6%
GDP per capita (RMB)	9,624	10,982	12,457	14,622	18,025
Per capita annual disposable income of urban households (RMB)	9,221	10,244	11,570	13,715	14,368

Sources: Chongqing Statistic Bureau

Putian

Putian is a prefectural level city of Fujian Province in the eastern Fujian Province of China with a population of approximately 2.8 million as of 2008. The city experienced a high GDP growth rate for the four-year period from 2005 to 2008. Putian's GDP reached approximately RMB61 billion in 2008, representing a per capita GDP of approximately RMB21,515. The per capita annual disposable income of urban households in Putian has increased from approximately RMB11,026 in 2005 to approximately RMB16,495 in 2008, representing a CAGR of 14.4% during the period. The table below sets forth selected economic statistics of Putian for the periods indicated.

	2005	2006	2007	2008
Nominal GDP (RMB Bn)	36	42	51	61
Real GDP growth rate (%)	15.3%	16.0%	16.5%	15.0%
GDP per capita (RMB)	12,855	15,013	18,188	21,515
Per capita annual disposable income of urban households (RMB)	11,026	12,274	14,351	16,495

Sources: Putian Statistic Bureau

Source of Information

National Bureau of Statistics of China

National Bureau of Statistics is an agency directly under the State Council in charge of statistics and economic accounting in China. National Bureau of Statistics is an Independent Third Party of us. The information from the National Bureau of Statistics disclosed in this offering memorandum is official public information and was prepared in the ordinary course of the National Bureau of Statistics' activities.

Business

Overview

We are a PRC-based underground shopping center operator and developer that focuses on the operation and development of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China. Competition among various types of shopping centers in China, whether underground or above the ground, is intense. However, by building civil air defense shelters and using them as underground shopping centers during peace time, we believe that we have a distinctive and advantageous business model that has contributed to our position as one of the major apparel and accessories wholesale centers in the cities where our underground shopping centers are located: we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in China and are not subject to land use rights premiums and land appreciation tax under PRC laws and regulations, which enables us to develop our projects at competitive costs. By building our shopping centers underground, we gain access to prime commercial areas in the cities in which we operate where the land supply above-ground is limited. We engage in market analysis, site selection, project planning and supervision, leasing and transfer of operation rights of shop units, and provide shopping center management services.

We currently operate four underground shopping centers in Harbin, Heilongjiang Province, three of which are interconnected, one in Guangzhou, Guangdong Province, and one in Shenyang, Liaoning Province, with an aggregate GFA of approximately 238,618 sq.m., and are providing management services for one underground shopping center in Zhengzhou, Henan Province, with an aggregate GFA of approximately 94,180 sq.m. We have 27 other projects in Daqing and Harbin, Heilongjiang Province, Dalian and Anshan, Liaoning Province, Weifang and Qingdao, Shandong Province, Wuhan, Hubei Province, Handan, Hebei Province, Putian, Fujian Province, Chengdu, Sichuan Province, Ganzhou and Nanchang, Jiangxi Province, Luoyang and Zhengzhou, Henan Province, Kunming, Yunnan Province, Shenzhen and Guangzhou, Guangdong Province, Wuhu, Anhui Province, Chongqing and Tianjin, with an aggregate approved GFA of approximately 3,635,660 sq.m. We have obtained approvals for the projects (項目建議書批覆) for our projects from the competent PRC authorities. All of our projects have easy access to transportation hubs such as subway stations, railway stations, city bus stops and inter-city bus terminals.

We opened our first underground shopping center in Harbin in June 1992 with a GFA of approximately 15,920 sq.m. With an initial business focus on Harbin, we have three additional underground shopping centers in that city with a GFA of approximately 26,829 sq.m., 21,015 sq.m. and 16,800 sq.m., which officially opened for business in 2001, 2004 and 2008, respectively. Leveraging our business and operating experience as well as our success in Harbin, we began expanding to other cities in China in 2005: we opened one underground shopping center in Guangzhou in January 2007 with a GFA of approximately 47,554 sq.m., one in Zhengzhou in December 2008 with a GFA of approximately 94,180 sq.m. and one in Shenyang in September 2009 with a GFA of approximately 110,500 sq.m. Over the past 18 years, we have accumulated extensive experience in operating and developing underground shopping centers in China, developed a sizeable customer base of tenants and gained significant knowledge of the wholesale and retail markets for apparel and accessories in China. We believe these advantages will help us replicate our business in other cities in China.

We focus on the operation of underground shopping centers we have developed or acquired. Following the completion of development or the acquisition, we operate our underground shopping centers by leasing the majority of the shop units to generate recurring rental income. In an effort to enhance liquidity and optimize the use of our capital resources, we also transfer the operation rights of a portion of our shop units to quickly recover the construction costs and fund future project developments. Jingtian, our PRC legal advisor, is of the opinion that under the Civil Air Defense Law of the PRC and the certificates from local civil air defense offices, such a transfer of operation rights is valid, within the scope of business of our relevant subsidiaries as permitted by law and as approved by the authorities, and not subject to any other government approvals or filings. For the years ended December 31, 2007, 2008 and 2009, the revenue generated from the transfer of operation rights represented 51.8%, 94.0%, and 96.9% of our total revenue for the same periods, respectively.

We may also use alternative methods to transfer the operation rights of the shop units in our projects, such as through the disposal of the equity interests in an offshore entity which holds, directly or indirectly, underground shop units in any single project. In 2009, we disposed of our entire interest in our subsidiary holding Phase I of Zhengzhou Project to First Achieve Holdings Limited, an independent third party, for a total consideration of HK$2,765.4 million and recorded a net gain from disposal of subsidiaries in the amount of RMB1,906.8 million in 2009, which contributed a significant portion of our profit for that year.

With the growing number of our underground shopping centers encompassing larger areas of shop units for lease, we aim to gradually balance the income stream comprising lease income and income from the transfer of operation rights to optimize our profitability. From the long-term perspective, we expect that lease income will eventually constitute an important component of our income. We provide comprehensive management services to all shop units to attract more shoppers to our underground shopping centers and help our tenants increase their sales revenue. Starting from 2006, we adopted "The First Tunnel" ("地一大道") as the name for our underground shopping center in Guangzhou and for those developed thereafter in Zhengzhou and Shenyang. To solidify and strengthen our brand recognition, we plan to use "The First Tunnel" ("地一大道") as the brand name for all of our future underground shopping centers, as well as those in Harbin, which are currently named "Renhe Shop" or "Renhe Spring."

All of our completed underground shopping centers were designed and constructed as underground civil air defense shelters in accordance with the standards set by and pursuant to the approvals of the National Civil Air Defense Office and its local offices. Under the "Civil Air Defense Law of the PRC" and the relevant regulations thereunder, the PRC government supports privately-owned and foreign-invested companies that invest in the development of civil air defense shelters, which, during peacetime, may be used and managed by and for the benefit of the investors. For building civil air defense shelters, which government authorities in China have the right to temporarily take over for use as civilian shelters during times of war, we are entitled to use, operate, manage and profit from the facilities we develop or acquire, including leasing or transferring operation rights of shop units in these facilities, and are not required to pay consideration to the government for such rights. Though current PRC laws and regulations do not define "times of war" for the purpose of civil air defense shelters, Jingtian, our PRC legal advisor, advised us that the term "times of war" as defined in the Criminal Law of the People's Republic of China may be used as a reference for such purpose. That law defines "times of war" as times when the PRC government declares a state of war, when the armed forces receive instructions to execute tasks, when any enemy launches a surprise attack or when the armed forces execute tasks under martial law or cope with emergencies of violence. Our underground shopping centers, like other properties in China, might also be taken over by the government authorities in case of emergencies as provided under *the Emergency Response of the PRC* and *the Martial Law of the PRC*. If any of our lease or transfer of operation rights agreements is terminated as a result of the taking over of the facilities by the PRC government and the shop units are returned to us upon our request for the remainder of the lease terms or operational rights terms, according to the contract terms, we would be required to refund our tenants or transferees the unused portion of the advance lease payments or the transfer price for the remaining term, as the case may be, and such events would materially and adversely affect our business, financial condition and results of operations. See "Risk Factors – Legal and Regulatory Risks Relating to Our Industry – The government in China has the right to take over our underground projects during times of war." Because the development of underground civil air defense shelters for commercial use is not categorized as real estate property development under current PRC laws and regulations, we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in China for development of underground air defense shelter projects. See "Regulations – Special Requirements Applicable To Real Estate Developers."

For the years ended December 31, 2007, 2008 and 2009, our revenue was RMB366.5 million, RMB3,050.3 million and RMB4,162.9 million (US$609.9 million), respectively, and our profit for the year, during the same periods, was RMB266.7 million, RMB1,903.0 million and RMB4,037.6 million (US$591.5 million), respectively.

Our Competitive Strengths

We attribute our success to the following key factors:

Distinctive shopping centers in prime commercial areas with one of the largest and geographically diversified underground shopping center portfolio in China

By building our shopping centers underground, we gain access to prime commercial areas in the cities in which we operate where the land supply above-ground is limited. Our underground shopping centers are located underneath roads in prime commercial areas, and typically there is additional space close to those roads that can be used for the expansion of our existing facilities, if we can obtain the necessary government approval. We believe that the demand for spaces in the prime commercial areas we target helps our projects attract tenants and transferees of our shop units and, therefore, lower the development risks.

All of our underground shopping centers have entrances and exits adjacent to or near commercial buildings, subway stations, railway stations, bus stops or inter-city bus terminals above the ground. Convenient transportation and easy access to our facilities attract shoppers to our shopping centers. In addition, our underground shopping centers are designed in the shape of long corridors with shops on both sides, unlike conventional rectangular-shaped shopping centers. This layout helps attract pedestrians in the area by functioning as underground streets, makes it easier for shoppers to identify and find shops they are looking for and allows us to utilize space in an efficient manner. Unlike individual shops located above the ground, underground shopping centers are less impacted by the effects of weather. As a result, shoppers can enjoy a convenient and comfortable shopping environment. Since our underground shopping centers are close to transportation hubs in major cities or capitals of provinces, our tenants can expand the reach of their market area and more easily ship their merchandise to and from other provinces and the country. We believe that the distinctive characteristics of our underground shopping centers have led to high demand for our shop units and have a positive effect on our rental prices.

In addition, we have developed and maintained a geographically diversified underground shopping center portfolio in China. Our projects are focused on five major areas: Northern China (for example, Harbin and Daqing), Pan-Bohai Rim (for example, Shenyang, Dalian, Weifang and Tianjin), Inland Area (for example, Zhengzhou, Ganzhou, Luoyang and Wuhan), Southwest China (for example, Chongqing and Kunming) and Pearl River Delta and Coastal Areas in Southeastern China (for example, Guangzhou, Putian, Nanchang and Shenzhen). We believe that this diversification in geographical areas reduces the risks posed by any specific project in our project portfolio and has a positive effect on our business and operation.

Competitive development costs

Our development costs are competitive compared to the other commercial properties near our underground shopping centers. For a typical project, we are only required to pay the construction costs. As advised by Jingtian, our PRC legal advisor, we are not subject to land use rights premiums and land appreciation tax for development of underground air defense shelter projects. Prior to 2007, we paid land use rights premiums for all of our projects then in operation in order to obtain land use rights certificates to facilitate our financing. We did not pay any additional land use rights premiums in 2008 and 2009. In addition, we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in the PRC because the development of underground civil air defense shelters for commercial use is not categorized as real estate property development under current PRC laws and regulations. For example, as confirmed by Jingtian, our PRC legal advisor, we are not subject to the requirement of obtaining a land use rights certificate before the commencement of any underground air defense shelter project according to the existing PRC laws and regulations including without limitation, a judicial notice issued by the Supreme Court of the PRC in 1996, and we do not need a qualification for real property development to build, or use and operate underground civil air defense shelters.

For shop units we rent out, we collect either a one-time entry fee when a customer first becomes a tenant or at least one-year's rent upfront. For example, we collected and determined the amount of the one-time entry fee based on the market practice for lease of shop units in Phase I of Guangzhou Project. Such cash inflows would cover a portion of the construction costs of such project, which reduces our dependence on outside borrowing and lowers our financing costs, including interest expenses. Our business model has enabled us to lease shop units at rents competitive with other shopping centers in similar locations.

Robust liquidity position and strong credit profile

We actively manage our liquidity position by taking into account our development plans, capital needs and available cash and financing options. As of December 31, 2007, 2008 and 2009, our cash and cash equivalents amounted to RMB1,517.4 million, RMB3,233.6 million and RMB4,656.1 million (US$682.1 million), respectively, and for the same periods, our bank loans and other borrowings were RMB19.2 million, nil and nil, respectively. In addition, over the years, we have accumulated experience in executing underground projects and were able to complete a project ready for operation within one year following the commencement of construction. We believe the short development cycle, together with our ability to pre-lease and pre-sale the shop units prior to the completion of our project, has enabled our projects to generate cash flow in a relatively short period after commencement of development.

We believe we have developed a strong credit profile over the years. Through transfer of a minor portion of the operating rights, we were able to recover the construction cost and the remaining shopping units provide stable rental income for us. With a liquid secondary market for our shopping units, we are able to satisfy our cash needs by transferring operating rights of the shopping units that were held for lease. We also have accessed the international capital markets through equity offerings. Since our initial public offering in October 2008, which generated proceeds of RMB2,987.5 million, in July 2009, we raised an additional RMB3,279.3 million through a private placement of new shares.

Market leader in underground shopping center development

We believe that we are a market leader in China in developing underground shopping centers due to our past experience and extensive tenant pool. Over the years, we have accumulated experience in executing underground projects and have completed a project ready for operation within one year following the commencement of construction. The construction of underground shopping centers in prime commercial areas is complicated and requires cooperation of various government authorities and utility suppliers such as electric, water, gas, telecommunication and cable companies. Our experience in developing underground shopping centers allows us to complete the ground construction work within a short period of time to minimize the impact of construction on the above-ground traffic and the daily lives of the city's residents. This is particularly critical since all of our underground projects are located in the center of prime commercial areas and are adjacent or close to major transportation hubs. In addition, we have a dedicated market research team, which researches and analyzes shopping centers in different cities and compiles a database of wholesalers and retailers. For example, we collected information with respect to more than 20,000 potential tenants prior to the opening of Phase I of Guangzhou Project. We have developed long-term relationships with our tenants as seen in the fact that some of our tenants in our more recently developed underground shopping center in Zhengzhou and Shenyang are also tenants in our Harbin and Guangzhou shopping centers. We believe our knowledge and experience in the development of underground shopping centers helped us achieve a pre-operation leasing rate of close to 100% in Harbin, Guangzhou and will be a factor that distinguishes us from our competitors. We believe that our well-recognized "The First Tunnel" ("地一大道") brand contributed to our success in Guangzhou, Zhengzhou and Shenyang and will serve as an advantage when we expand into other cities using the same brand.

Comprehensive shopping center management services

We take business concepts from the management of large-scale retail shopping centers and department stores and apply them innovatively to our business operations that cater largely to wholesale tenants. Our agreements for the lease or transfer of operation rights of our shop units contain a standard provision whereby, throughout the term of the lease or transferred period, as applicable, we provide comprehensive shopping-center management services at a pre-determined monthly fee. This helps maximize the sales revenue of our tenants, which in turn has a positive effect on our rental rates and revenue. For example, we have designated different areas in our underground shopping center for apparel or accessories with different themes so that target customers can more easily find the merchandise they want. Concentrating tenants selling similar products in the same area draws shoppers looking for a particular type of product and encourages tenants to carry more specialized goods, which expands the variety of merchandise offered in our shopping centers. We also organize or sponsor promotional events, such as the Discount International Brands Trade Fair in January 2010 and the Street Culture Fair in December 2009, in order to attract more shoppers to our shopping centers. In addition to services related to marketing activities, we provide our tenants with services such as assistance in inbound and outbound shipments and security services by trained professionals.

Established business model which has been successfully replicated in the markets we operate

Our business model has been successfully replicated in different cities. Although development of underground space is not subject to the limitations of above-ground land supply so long as approvals from the relevant authorities can be obtained, we believe that site selection, the ability to manage the construction process and the relevant operational experience are critical to the success of the development of an underground shopping center. We have accumulated over 18 years of experience and have established a good track record, as demonstrated in our projects in Harbin, Guangzhou, Zhengzhou and Shenyang, in the operation and development of large-scale underground shopping centers for wholesale and retail sales of apparel and accessories. We believe that such experience and track record will serve as an advantage when we compete for future projects to replicate our business model in other cities.

We believe that government authorities are generally supportive of the development of underground space such as our underground shopping centers since, as in the case of our project in Guangzhou which is close to the crowded Whitehorse shopping center and Xindadi Apparel Shopping Mall, our underground shopping centers also function as underground streets, divert the heavy pedestrian traffic in busy downtown areas and alleviate crowd problems.

Experienced management team

Our senior management team has an average of approximately 14 years of experience in developing and operating underground shopping centers. Particularly, our Chief Executive Officer and Chairman, Mr. Dai Yongge, has been working in this industry for over 17 years. The key members of our management were pioneers in our industry who created and extended our business model and led the growth and success of our business. Our senior management team is stable and the key members have been working together for more than eight years. In addition, we have well-trained local management teams, which are important for our future growth. Currently, the majority of our local management teams have more than five years of management experience in their relevant positions and more than 75% of them hold a bachelor degree. We also provide training to improve the management ability of our local management teams. We believe that our experienced senior management team and well-trained local management teams will contribute to our operational stability and continued business expansion.

Our Strategies

We intend to leverage the development and operations experience that we gained in Harbin, Guangzhou, Zhengzhou and Shenyang and grow our business by expanding into other cities in China. To achieve our business objectives and drive our future growth, we plan to adopt the following strategies:

Expand our business and enlarge a national underground shopping center operation network

We successfully utilized our development and operations experience in Harbin to enter the Guangzhou, Zhengzhou and Shenyang markets in a short period of time. In addition, we have acquired seven projects in Harbin, Weifang, Daqing, Dalian and Chengdu since July 2009 and have also recently begun the construction of additional projects in Wuhan, Handan, Putian, Chongqing and Anshan. With our existing projects and those under renovation or construction, we have established an operation network of underground shopping centers in certain strategically selected cities around the country. Our goal is to leverage our experience and expand into other major cities in China with large-scale underground shopping centers similar to our existing ones. Through this expansion, we intend to increase the scale of our operations to secure and strengthen our position as a national market leader for the development and operation of underground shopping centers in the PRC. We are also conducting feasibility studies or have submitted applications by ourselves or through nominees, for projects in several other cities in the PRC. Our long-term objective is to build a nation-wide network of underground shopping centers and integrate our future projects under a chain model using a unified brand name. We aim to be recognized as a national operator of underground shopping centers that offer the best chance of success in the apparel and other businesses and to provide quality services and a comfortable environment for our tenants.

Maintain prudent financial management policies

We will continue to closely monitor our capital and cash positions and gauge our development scale and time our project development accordingly. We have budget and financing planning and cash management at the project level as well as the group level. While we will explore a variety of financing sources to fund the development and operation of our projects, we will closely monitor our level of indebtedness to ensure a healthy leverage ratio. We will continue to carefully manage our development cost for each project during the course of its development, with an emphasis on cost reduction and cost efficiency. We will actively manage our sales and pre-sales to ensure adequate cash flow for our ongoing capital requirements from new projects and to ensure a growing gross floor area for leasing in our undergroup shopping centers. We will also remain disciplined in our capital commitments and seek to maintain a balanced capital structure.

Optimize leasing terms and diversify the business of our underground shopping centers

We intend to maximize our revenue and profit through the following measures:

- optimizing leasing terms: We plan to optimize the leasing terms of our shop units. Our leases typically provide for a fixed rent during the lease term. While we intend to maintain long term leases for our shopping centers in Harbin, we plan to set a short lease term for our new shop units in shopping centers in growing markets so that our rental income will more timely reflect the growth of the wholesale and retail markets for apparels and accessories in China; and

- diversifying the business of our underground shopping centers: We plan to further diversify our geographical and industry risks by establishing underground shopping centers in various high growth cities in China and developing shopping centers for the wholesale and retail sales of various types of merchandise in addition to apparel.

Strategically promote "The First Tunnel" ("地一大道") brand

We believe that a self-owned brand is crucial to building a unified chain. We plan to establish "The First Tunnel" ("地一大道") as a nationally recognized brand among underground shopping centers in China. Enhanced brand recognition, if achieved, will help attract new tenants and accelerate our expansion into new markets, which in turn will further enhance our brand recognition.

Further improve our management systems and expand our potential tenant pool

We plan to further improve our project planning and shopping center management systems, the segmentation of target clientele for our tenants, optimization of space utilization, management efficiency and the provision to our tenants of information relating to our underground shopping centers. We believe that we can thereby enhance the reputation of our underground shopping centers and our prospects for realizing increased rental income, as well as retain the loyalty of our existing tenants. We also plan to expand our database of potential tenants. Our market research team will continue to conduct in-depth research and evaluation of potential locations for our future projects. We believe that our market research capabilities will enable us to devise effective strategies for future expansion and position our shopping centers in cost-effective and profitable markets and trades.

Continue to hold the majority of our underground shop units for lease and enhance rental income

Our strategy is to achieve an optimal balance between the portions of units for one-off income from transfer of operation rights and those for recurring income from leasing, so as to satisfy the funding requirements of the construction of new projects as well as to benefit from the recurring cash flow and long term rental increase potentials. While the aforesaid portions are subject to adjustment from time to time with due consideration of our future capital requirements, it is our current policy to keep the majority of our shop units in terms of GFA in any of our existing or new projects for leasing and to transfer the operation rights of the rest over time. In addition, we aim to achieve stable growth in our total revenue by having an optimized mix of revenue from transfer of operation rights and rental income. With respect to some of our new projects' shop units held for leasing, we collect one-time entry fees or at least one-year's rent upfront from new tenants before completing construction to enhance our liquidity. Current PRC laws and regulations do not restrict or prohibit us from charging upfront fees in connection with the operation of underground shopping centers built as civil air defense shelters, nor do they regulate the amount of such fees that we may charge. The rental and the transfer price of operation rights of our shop units are primarily determined with reference to the prevailing market practice and prices for comparable commercial properties located around the vicinity of our underground shopping centers and based on our overall marketing strategies.

Our Projects

We focus on the development and operation of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China, and have over 18 years of experience in operating and developing underground shopping centers.

We have developed and currently operate three underground shopping centers in Harbin (all of which are interconnected except for Gexin section of Phase II of Harbin Project), one in Guangzhou and one in Shenyang. We have also developed one underground shopping center in Zhengzhou and transferred all of our interest in it to a third party in December 2009. For each of these projects, we participate in every phase of the project development, including project planning and designing, selecting construction contractors and supervising constructions, and operating the underground shopping centers when the projects are completed.

In addition, we have acquired the operation rights of and currently operate an underground shopping center in Harbin under the name of Harbin Renhe Spring. We also acquired the operation rights of six additional projects in July 2009 and one additional project in April 2010. Three out of the seven acquired projects are located in Weifang and one in each of Daqing, Dalian, Harbin and Chengdu.

We have several other projects in Harbin, Wuhan, Handan, Putian, Chongqing, Anshan, Chengdu, Tianjin, Ganzhou, Luoyang, Kunming, Nanchang, Shenzhen, Qingdao, Guangzhou and Zhengzhou. Our projects are focused on five major areas: Northern China (for example, Harbin and Daqing), Pan-Bohai Rim (for example, Shenyang, Dalian, Weifang and Tianjin), Inland Area (for example, Zhengzhou, Ganzhou, Luoyang and Wuhan), Southwest China (for example, Chongqing and Kunming) and Pear River Delta and Coastal Areas in Southeastern China (for example, Guangzhou, Putian, Nanchang and Shenzhen).

We have completed and currently operate the following seven projects:

- *Phase I of Harbin Project:* an underground shopping center with a GFA of approximately 15,920 sq.m., focusing on the women's fashion apparel. This project was opened for business in June 1992;
- *Phase II of Harbin Project:* an underground shopping center with a GFA of approximately 26,829 sq.m., focusing on the women and children's apparel and grocery food products. The first stage of this project was opened for business in January 2001 and the second stage of this project was opened for business in December 2001;
- *Phase III of Harbin Project:* an underground shopping center with a GFA of approximately 21,015 sq.m., focusing on branded apparel, jeans and casual wear. This project was opened for business in January 2004;
- *Phase I of Guangzhou Project:* an underground shopping center with a GFA of approximately 47,554 sq.m. for apparel wholesale and retail sales. This project was opened for business in January 2007;
- *Phase I of Zhengzhou Project:* an underground shopping center with a GFA of approximately 94,180 sq.m. for apparel wholesale and retail sales. This project was opened for business in December 2008 and we have transferred our interest in the entire project in December 2009. We, however, continue to provide management services for the project and charge a management service fee in connection therewith;
- *Phase I of Shenyang Project:* an underground shopping center with a GFA of approximately 110,500 sq.m. for apparel wholesale and retail sales. This project was opened for business in September 2009; and
- *Harbin Renhe Spring Project:* an underground shopping center that we acquired in December 2008 with a GFA of approximately 16,800 sq.m. for apparel wholesale and retail sales.

We have 27 other projects:

- *Daqing Project:* an underground area that we acquired in July 2009 with an aggregate GFA of approximately 40,178 sq.m. and is currently under trial operation;
- *Dalian Project:* an underground area that we acquired in July 2009 with an aggregate GFA of approximately 15,344 sq.m. and is currently under renovation;
- *Heilongjiang Renhe Spring Project (Youyi Road section and Sofia section):* underground areas that we acquired in July 2009 with an aggregate GFA of approximately 26,100 sq.m. and consist of two sections: the Youyi Road section, which has been opened for business, and the Sofia section, which is currently under renovation;
- *Weifang Project (Train Station Plaza):* an underground area that we acquired in July 2009 with an aggregate GFA of approximately 30,000 sq.m. and is currently under renovation;
- *Weifang Project (Fengzhengdu Memorial Plaza section):* an underground area that we acquired in July 2009 with an aggregate GFA of approximately 86,800 sq.m. and is currently under renovation;
- *Weifang Project (Zhongya Commercial Center section):* an underground area that we acquired in July 2009 with an aggregate GFA of approximately 28,000 sq.m. and is currently under renovation;
- *Phase VI of Harbin Project:* underground areas with an approved GFA of approximately 150,880 sq.m.; we commenced construction of this project in March 2009 and plan to open it for business by the end of 2010;
- *Wuhan Hanzheng Street Project:* an underground area with an approved GFA of approximately 126,220 sq.m.; we commenced construction of this project in July 2009 and plan to open it for business by the end of 2010;

- *Handan Project:* an underground area with an approved GFA of approximately 100,000 sq.m.; we commenced construction of this project in September 2009 and plan to open it for business by the end of 2010;
- *Putian Project:* an underground area with an approved GFA of approximately 190,000 sq.m.; we commenced construction of this project in December 2009 and plan to open it for business by the end of 2010;
- *Phase I of Chongqing Banan Project:* an underground area with an approved GFA of approximately 70,000 sq.m.; we commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010;
- *Phase I of Chongqing Dadukou Project:* an underground area with an approved GFA of approximately 100,000 sq.m.; we commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010;
- *Phase I of Anshan Project:* an underground area with an approved GFA of approximately 49,840 sq.m.; we commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010;
- *Phase I of Chengdu Project:* underground areas that we acquired in April 2010 with an approved GFA of approximately 90,500 sq.m.; with respect to 40,100 sq.m. thereof, construction has been completed and the remaining 50,400 sq.m. thereof is subject to future development;
- *Phase IV of Harbin Project:* an underground area with an approved GFA of approximately 15,738 sq.m. for future development;
- *Phase V of Harbin Project:* an underground area with an approved GFA of approximately 10,000 sq.m. for future development;
- *Tianjin Project:* an underground area with an approved GFA of approximately 121,220 sq.m. for future development;
- *Ganzhou Project:* an underground area with an approved GFA of approximately 170,000 sq.m. for future development;
- *Luoyang Project:* an underground area with an approved GFA of approximately 194,840 sq.m. for future development;
- *Wuhan Northwestern Lake (Xibeihu) Project:* an underground area with an approved GFA of approximately 450,000 sq.m. for future development;
- *Kunming Project:* an underground shopping center with an approved GFA of approximately 200,000 sq.m. for future development;
- *Nanchang Bayi Tunnel Project:* an underground area with an approved GFA of approximately 162,000 sq.m. for future development;
- *Shenzhen Project:* an underground area with an approved GFA of approximately 160,000 sq.m. for future development;
- *Wuhu Project:* an underground area with an approved GFA of approximately 150,000 sq.m. for future development;
- *Qingdao Project:* an underground area with an approved GFA of approximately 500,000 sq.m. for future development;
- *Phase II of Guangzhou Project:* an underground area with an approved GFA of approximately 48,000 sq.m. for future development; and
- *Phase II of Zhengzhou Project:* an underground area with an approved GFA of approximately 350,000 sq.m. for future development.

The following table summarizes GFA information relating to our projects as of the date of this offering memorandum, unless otherwise disclosed below.

Project	Projects in operation		Other Projects[1]				
	Sold GFA[2]	Leasable GFA[3]	Sold GFA[2]	Aggregate GFA[4]	Leased GFA[5]	Occupancy Rate[6]	Location
Phase I of Harbin Project[7]	8,368	7,552	–	15,920	7,552	100%	Harbin
Phase II of Harbin Project[7]	7,383	19,446	–	26,829	19,446	100%	Harbin
Phase III of Harbin Project[7]	18,433	2,582	–	21,015	2,582	100%	Harbin
Phase I of Guangzhou Project[7]	41,967	5,587	–	47,554[8]	5,587	100%	Guangzhou
Phase I of Zhengzhou Project[9]	–[9]	–	–	94,180[9]	–	–	Zhengzhou
Phase I of Shenyang Project	31,148	79,352	–	110,500	79,352	100%	Shenyang
Harbin Renhe Spring Project	0	16,800	–	16,800	16,800	100%	Harbin
Daqing Project	–	–	0	40,178	–	–	Daqing
Dalian Porject	–	–	0	15,344	–	–	Dalian
Heilongjiang Renhe Spring Project	–	–	6,448	26,100	–	–	Harbin
Weifang Project (Train Station Plaza section)	–	–	0	30,000	–	–	Weifang
Weifang Project (Fengzhengdu Memorial Plaza section)	–	–	0	86,800	–	–	Weifang
Weifang Project (Zhongya Commercial Center section)	–	–	0	28,000	–	–	Weifang
Phase VI of Harbin Project	–	–	40,329	150,880	–	–	Harbin
Wuhan Hanzheng Street Project	–	–	26,130	126,220	–	–	Wuhan
Handan Project	–	–	0	100,000	–	–	Handan
Putian Project	–	–	0	190,000	–	–	Putian
Phase I of Chongqing Banan Project	–	–	0	70,000	–	–	Chongqing
Phase I of Chongqing Dadukou Project	–	–	0	100,000	–	–	Chongqing
Phase I of Anshan Project	–	–	0	49,840	–	–	Anshan
Phase I of Chengdu Project	–	–	–	90,500	–	–	Chengdu
Phase IV of Harbin Project	–	–	–	15,738	–	–	Harbin
Phase V of Harbin Project	–	–	–	10,000	–	–	Harbin
Tianjin Project	–	–	–	121,220	–	–	Tianjin
Ganzhou Project	–	–	–	170,000	–	–	Ganzhou
Luoyang Project	–	–	–	194,840	–	–	Luoyang
Wuhan Northwestern Lake (Xibeihu) Project	–	–	–	450,000	–	–	Wuhan
Kunming Project	–	–	–	200,000	–	–	Kunming
Nanchang Bayi Tunnel Project	–	–	–	162,000	–	–	Nanchang
Shenzhen Project	–	–	–	160,000	–	–	Shenzhen
Wuhu Project	–	–	–	150,000	–	–	Wuhu
Qingdao Project	–	–	–	500,000	–	–	Qingdao
Phase II of Guangzhou Project	–	–	–	48,000	–	–	Guangzhou
Phase II of Zhengzhou Project	–	–	–	350,000	–	–	Zhengzhou
Total	107,299	131,319	72,907	3,968,458	131,319	–	

Notes:

(1) Includes projects with respect to which construction has been completed but which are currently under renovation or trial operation, and projects under development or for future development.

(2) Represents the GFA for which we have transferred the operation rights to third parties.

(3) Represents the GFA which we have currently leased to tenants or are vacant but are held by us for leasing.

(4) Represents the actual completed GFA for our projects in operation and the approved GFA for our other projects.

(5) Represents the GFA that is leased out.

(6) Represents the leased out rate, dividing the leased GFA by the leasable GFA of the specified project.

(7) We chose to pay land premiums and obtained land use rights certificates for these projects. The land use rights premiums were determined based on our negotiation with local land administrative authorities, taking into consideration of the nature of our projects as civil air defense shelters.

(8) Includes 6,196 sq.m. of leasable GFA which was originally approved as a parking lot but we had improperly converted into leasable GFA. We, however, received oral confirmation from the local authorities to continue using it for commercial purpose. See "– Our Principal Activities – Legal Proceedings."

(9) We have transferred all of our interest in Phase I of Zhengzhou Project to an independent third party in December 2009 and are currently providing management services only for Phase I of Zhengzhou Project.

Other than the above-mentioned projects, we are currently actively investigating the feasibility of developing similar underground shopping centers in other major cities, and have submitted preliminary applications to the governments in various locations in the PRC for project approvals. We cannot assure you, however, that we will be able to obtain government approvals for the projects at our desired locations in a timely manner, or at all. See "Risk Factors – Legal and Regulatory Risks Relating to Our Industry – Our project developments are subject to stringent government approvals, and we cannot assure you that the approval would be granted in time, or at all."

The following are detailed descriptions of our seven projects in operation and 27 other projects.

Projects in Operation

Phase I of Harbin Project

Phase I of Harbin Project is located underneath Dongdazhi Street in the commercial center of Nangang District of Harbin. The project occupies two underground floors and has an aggregate GFA of approximately 15,920 sq.m.

The construction of Phase I of Harbin Project commenced in November 1991 and the shopping center was opened for business in June 1992. The construction cost for Phase I of Harbin Project was RMB42.6 million and the total development costs (including the acquisition costs for the land use rights for the underground site and construction cost) incurred were approximately RMB44.7 million.

As of the date of this offering memorandum, we have transferred the operation rights of 8,368 sq.m., representing approximately 52.6% of the project's GFA to third parties, and hold the remaining GFA of approximately 7,552 sq.m. for leasing.

As of December 31, 2009, we had 465 tenants in Phase I of Harbin Project. Our tenants are mainly engaged in wholesale and retail sales of women's fashion apparel. Most of the leases have a term ranging from three to six years. We normally fix the rent for the entire lease term and require the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term. See "– Our Principal Activities – Leases – Expiries, Renewals and Rent Reviews."

For the years ended December 31, 2007, 2008 and 2009, our revenue from Phase I of Harbin Project was RMB28.5 million, RMB110.3 million and RMB239.7 million (US$35.1 million), respectively. Our revenue generated for the year ended December 31, 2009 consisted of lease income of RMB25.1 million (US$3.7 million) and revenue from the transfer of operation rights of RMB214.6 million (US$31.4 million).

Phase II of Harbin Project

Phase II of Harbin Project is located underneath Dongdazhi Street and Guogeli Street in the commercial center of Nangang District of Harbin with an aggregate GFA of approximately 26,829 sq.m. It consists of two separate sections: Baorong section and Gexin section. Baorong section occupies two underground floors and has an aggregate GFA of approximately 15,393 sq.m. Baorong section is used as a wholesale and retail market for women's and children's apparel. Baorong section is connected to, and could be deemed as an extension of, Phase I of Harbin Project. We developed and have operated Gexin section of the project as an underground grocery shopping center according to the Harbin government's planning guidelines. Gexin section occupies two underground floors and has an aggregate GFA of approximately 11,436 sq.m.

The construction of Phase II of Harbin Project was conducted in two stages. The construction of the first stage (Baorong section) commenced in October 1999 and the Baorong section was opened for business in January 2001. The construction of the second stage (Gexin section) commenced in June 2001 and the Gexin section was opened for business in December 2001. The construction cost for Phase II of Harbin Project was RMB103.7 million and the total development costs (including the acquisition costs for the land use rights for the underground site, construction cost and miscellaneous costs) incurred were approximately RMB112.4 million.

As of the date of this offering memorandum, we have transferred the operation rights of 7,383 sq.m. representing approximately 27.5% of the project's GFA to third parties, and the remaining 19,446 sq.m. is used for lease to tenants.

As of December 31, 2009, we had 462 tenants in Phase II of Harbin Project. Most of the leases in Baorong section of Phase II of Harbin Project have a term of one to three years. For Gexin section of the Phase II of Harbin Project, the leases typically have a term of one year. We normally fix the rent for the entire lease term and require that tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term. See "– Our Principal Activities – Leases – Expiries, Renewals and Rent Reviews."

With regard to the shop units in Phase II of Harbin Project for which operation rights have been transferred, we entered into agreements with the purchasers to transfer all operation rights of the shop units for a term covering most of our exclusive-use period. We continue to provide management services for the transferred shop units and charge a management service fee, which is adjusted according to inflation.

For the years ended December 31, 2007, 2008 and 2009, our revenue from Phase II of Harbin Project was RMB21.2 million, RMB63.1 million, and RMB28.7 million (US$4.2 million), respectively. Our revenue generated for the year ended December 31, 2009 consisted of lease income of RMB21.6 million (US$3.2 million) and revenue from the transfer of operation rights of RMB7.1 million (US$1.0 million).

Phase III of Harbin Project

Phase III of Harbin Project is located underneath Guogeli Street in the commercial center of Nangang District in Harbin. The project occupies two underground floors and has an aggregate GFA of approximately 21,015 sq.m. available for lease.

The construction of Phase III of Harbin Project commenced in October 2002 and the shopping center was officially opened for business in January 2004 following a trial operation from October 2003 to December 2003. The construction cost for Phase III of Harbin Project was RMB68.9 million and the total development costs (including the acquisition costs for the land use rights for the underground site, construction cost and miscellaneous cost) incurred were approximately RMB74.2 million.

As of the date of this offering memorandum, we have transferred the operation rights of 18,433 sq.m., representing approximately 87.7% of the project's GFA to third parties, and hold the remaining GFA of approximately 2,582 sq.m. for leasing. The shop units on the upper floor are occupied by tenants engaged in the wholesale and retail sales of branded apparel and those on the lower floor are mainly occupied by jeans and casual wear distributors.

As of December 31, 2009, we had 128 tenants in Phase III of Harbin Project. The terms of most of the leases range from one to three years. We normally fix the rent for the entire lease term and request that the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term. See "– Our Principal Activities – Leases – Expiries, Renewals and Rent Reviews."

For the years ended December 31, 2007, 2008 and 2009, our revenue from Phase III of Harbin Project was RMB36.7 million, RMB438.8 million and RMB5.2 million (US$0.8 million), respectively. All of our revenue generated for the year ended December 31, 2009 is derived from lease income.

All three phases of our Harbin Project have easy access to public transportation. Above our projects in Harbin is the commercial center of Nangang District, which has more than 30 bus lines passing through and connects to most areas in Harbin. We believe that such location is an important factor for generating customer traffic for the tenants in our projects in Harbin.

Phase I of Guangzhou Project ("The First Tunnel in Guangzhou")

Phase I of Guangzhou Project is located underneath Zhanqian Road and Zhanhou Road and is in the Guangzhou Railway Station commercial center, which is one of the largest apparel distribution centers in China. More than 15 apparel shopping centers are within 500 meters of Phase I of Guangzhou Project, and some of these shopping centers have been in operation for approximately 15 years, including Whitehorse shopping center and Xindadi Apparel Shopping Mall. Merchandise from these shopping centers supply other wholesale and retail centers throughout China and even markets around the world, including Russia, the United States, the Middle East and Africa. Phase I of Guangzhou Project occupies two underground floors and has an aggregate GFA of approximately 47,554 sq.m.

Phase I of Guangzhou Project features especially easy access to convenient public transportation. It is adjacent to Guangzhou Railway Station and the Long Distance Bus Terminal of Guangdong Province and the lower floor of the project is connected to a Line 2 station of Guangzhou's subway.

The construction of Phase I of Guangzhou Project commenced in September 2005 and the shopping center was officially opened for business in January 2007 following a trial operation from August 2006 to December 2006. The construction cost was RMB390.8 million and the total development costs (including the acquisition costs for the land use rights of underground site and construction cost) incurred for Phase I of Guangzhou Project were approximately RMB438.6 million.

We started transferring operation rights of shop units of Phase I of Guangzhou Project in January 2007. As of the date of this offering memorandum, we have transferred the operation rights over an aggregate GFA of approximately 41,967 sq.m., representing approximately 88.3% of the project's GFA to third parties for a term covering most of our exclusive-use period, and hold the remaining GFA of approximately 5,587 sq.m. for leasing. When we transfer the operation rights of the shop units of the Phase I of Guangzhou Project, we typically require the purchasers to pay at least 50% of the consideration upon signing of the transfer agreement and the remaining 50%, either in cash or through bank loans upon the delivery of the operation rights of shop units. If the purchasers need bank loans to finance their purchase of the operation rights of the shop units, such loans typically have a term of three to five years and we normally provide guarantees for such loans.

As of December 31, 2009, we had 149 tenants in Phase I of Guangzhou Project. Our tenants are engaged in various sectors of the apparel business. We normally fix the rent for the first year of the lease term and increase the rent annually at a percentage agreed in the lease agreement for the remaining term. The rent is collected on a monthly basis and is normally due for each month at the end of the previous month. In Guangzhou, we also charge a one-time entry fee, which we did not charge for any of the three projects in Harbin. The amount of such one-time entry fee for each shop unit was determined at our sole discretion based on various factors of the shop unit, including location, size, and monthly rents, etc.

For the years ended December 31, 2007, 2008 and 2009, our income from the one-time entry fee was RMB14.3 million, RMB35.1 million and RMB9.7 million, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Description of Certain Consolidated Income Statement Items – Revenue – Lease Income." According to the lease agreements, the one-time entry fee, once received, is non-refundable even in the event that our underground shopping centers are taken over by government authorities in China during times of war or in cases of emergency. We grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term. See "– Our Principal Activities – Leases – Expiries, Renewals and Rent Reviews."

For the years ended December 31, 2007, 2008 and 2009, our revenue from Phase I of Guangzhou Project was RMB280.1 million, RMB1,442.2 million and RMB404.6 million (US$59.3 million), respectively. Our revenue generated for the year ended December 31, 2009 consisted of lease income of RMB30.4 million (US$4.5 million) and revenue from the transfer of operation rights of RMB374.2 million (US$54.8 million).

Phase I of Zhengzhou Project

Phase I of Zhengzhou Project is located underneath Datong Road, Fushou Street, Dunmu Road, Qiaojiamen Road and South Qiaojiamen Road and adjacent to the railway station commercial center of Zhengzhou. The project is adjacent to various apparel distribution centers including the Tianrong Apparel Center and Yinji Commercial Center. The project occupies two underground floors and has an aggregate GFA of 94,180 sq.m.

The construction of Phase I of Zhengzhou Project commenced in December 2007 and the shopping center was opened for business in December 2008. The construction cost for Phase I of Zhengzhou Project was RMB829.4 million and the total development costs (including the acquisition costs for the land use rights of underground site and construction cost) incurred were approximately RMB829.4 million.

For the years ended December 31, 2008 and 2009, our revenue from Phase I of Zhengzhou Project was RMB995.9 million and RMB13.0 million (US$1.9 million), respectively. On December 18, 2009, we transferred our entire interest in Phase I of Zhengzhou Project to First Achieve Holdings Limited, an independent third party, for a total consideration of HK$2,765.4 million, 30% of which has been paid in December 2009 and the balance shall be paid by the purchaser on or before June 30, 2010. We will continue to provide management services for the transferred Phase I of Zhengzhou Project and charge a monthly management service fee of HK$300,000, which is adjusted according to inflation.

Phase I of Shenyang Project

Phase I of Shenyang Project is located underneath Changjiang Street (between Chongshan Middle Road and Kuanshan Middle Road) and Bitang Park. The project occupies an underground floor with an aggregate GFA of 110,500 sq.m. As of the date of this offering memorandum, we have transferred operation rights with respect to a GFA of approximately 31,148 sq.m., or approximately 28.2% of the total GFA, to third parties and hold the remaining GFA of approximately 79,352 sq.m. for leasing.

The construction of Phase I of Shenyang Project commenced in July 2008 and the shopping center was opened for business in September 2009. The construction cost for Phase I of Shenyang Project was approximately RMB764.0 million.

On April 24, 2009, we transferred the operation rights with an aggregate GFA of 30,000 sq.m. in Phase I of Shenayng Project to, an independent third party, for a total consideration of RMB1,350.0 million, which has been paid in full as of the date of this offering memorandum.

As of December 31, 2009, we had 1,424 tenants in Phase I of Shenyang Project. Our tenants are mainly engaged in wholesale and retail sale of apparel and accessories. The terms of most of the leases for Phase I of Shenyang Project range from one to three years. We normally fix the rent for the entire lease term and request that the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term.

For the year ended December 31, 2009, our revenue from Phase I of Shenyang Project was RMB1,336.9 million (US$195.9 million), including the lease income of RMB15.9 million (US$2.3 million) and the transfer of operation rights of RMB1,321.0 million (US$193.5 million).

Harbin Renhe Spring Project

In December 2008, we acquired the operation rights of Fashion Plaza in Harbin and renamed it as "Renhe Spring." Harbin Renhe Spring Project is located underneath Shitoudao Street and Maimai Street of Daoli District, Harbin. The project occupies an underground floor with an aggregate GFA of 16,800 sq.m. We hold all of the GFA in this project for leasing. Our tenants are mainly engaged in wholesale and retail sale of apparel business.

As of December 31, 2009, we had 428 tenants in Harbin Renhe Spring Project. The terms of most of the leases for this project range from one to three years. We normally fix the rent for the entire lease term and request that the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term.

For the year ended December 31, 2009, our revenue from Harbin Renhe Spring Project was RMB18.1 million (US$2.7 million), all of which was lease income.

Other Projects

Daqing Project

We acquired the Daqing Project from Daqing Yigao Investment Co. Ltd., an independent third party, in July 2009 for a purchase price of approximately RMB77.1 million. Daqing Project is located underneath the Jiexin Park, Dongfeng New Village of Daqing, Heilongjiang Province. The project occupies an underground area with an aggregate GFA of approximately 40,178 sq.m. We are currently conducting a trial operation of this project and plan to open it for business by the end of 2010.

Dalian Project

We acquired the Dalian Project from China Construction Bank, Dalian Qingni Branch, an independent third party, through an auction process in July 2009 for a purchase price of approximately RMB32.0 million. Dalian Project is located underneath Wuhui Road of Zhongshan District of Dalian. The project occupies two underground floors with an aggregate GFA of approximately 15,344 sq.m. We are currently conducting renovation of this project and plan to open it for business by the end of 2010.

Heilongjiang Renhe Spring Project

We acquired the Heilongjiang Renhe Spring Project from Harbin City Construction Investment Group Co. Ltd., an independent third party, in July 2009 for a purchase price of approximately RMB265.0 million. This project consists of two sections. The Youyi Road section is located underneath Youyi Road and Zhongyang Avenue and the Sofia section is located underneath the Saint Sophia Church. The project occupies underground areas with an aggregate GFA of approximately 26,100 sq.m. We have opened the Youyi Road section for business and are currently conducting renovation of the Sofia section. We plan to open the Sofia section for business by the end of 2010.

Weifang Project (Train Station Plaza)

We acquired the Weifang Project (Train Station Plaza) from Weifang Civil Air Defense Office, an independent third party, in July 2009 for a purchase price of approximately RMB50.0 million. This project is located underneath the Train Station Plaza. It occupies an underground area with an aggregate GFA of approximately 30,000 sq.m. We are currently conducting a renovation of this project and plan to open it for business by the end of 2010.

Weifang Project (Fengzhengdu Memorial Plaza section)

We acquired the Weifang Project (Fengzhengdu Memorial Plaza section) from Weifang Civil Air Defense Office, an independent third party, in July 2009 for a purchase price of approximately RMB350.0 million. This project is located underneath the Fengzhengdu Memorial Plaza and the Old Guomao Plaza. It occupies an underground area with an aggregate GFA of approximately 86,800 sq.m. We are currently conducting a renovation of this project and plan to open it for business by the end of 2010.

Weifang Project (Zhongya Commercial Center section)

We acquired the Weifang Project (Zhongya Commercial Center section) from Weifang Civil Air Defense Office, an independent third party, in July 2009 for a purchase price of approximately RMB60.0 million. This project is located underneath Zhongya Commercial City. It occupies an underground area with an aggregate GFA of approximately 28,000 sq.m. We are currently conducting a renovation of this project and plan to open it for business by the end of 2010.

Phase VI of Harbin Project

Phase VI of Harbin Project includes two sections: Nangang section and Daoli section. Nangang section is located underneath Guogeli Avenue, Dong Dazhi Street, Huayuan Street and Jianshe Street in Nangang District, Harbin and Daoli section is located underneath Shangzhi Avenue, West Twelfth Street and Toulong Street in Daoli District, Harbin. The project has an approved GFA of approximately 150,880 sq.m. We commenced construction of this project in March 2009 and plan to open it for business by the end of 2010.

Wuhan Hanzheng Street Project

Wuhan Hanzheng Street Project is located underneath Zhongshan Avenue, Yanjiang Avenue and Youyi South Road of Wuhan. The project has an approved GFA of 126,220 sq.m. We commenced construction of this project in July 2009 and plan to open it for business by the end of 2010.

Handan Project

Handan Project is located underneath Lingxi Street, Heping Road and Huanchengxi Road of Handan. The project occupies an underground shopping center with an approved GFA of approximately 100,000 sq.m. We commenced construction of this project in September 2009 and plan to open it for business by the end of 2010.

Putian Project

Putian Project is located underneath the Fenghuangshan Square, Wenxian Road (from the east of Fenghuangshan Square to Baeryi Street) and Xueyuan Road (500 metres to the north and south from the junction of Wenxian Road and Xueyuan Road) in Putian, Fujian Province. The project occupies an underground shopping center with an approved GFA of approximately 190,000 sq.m.. We commenced construction of this project in December 2009 and plan to open it for business by the end of 2010.

Phase I of Chongqing Banan Project

Phase I of Chongqing Banan Project is located underneath Baxian Avenue of Banan District of Chongqing. The project occupies an underground shopping center with an approved GFA of approximately 70,000 sq.m. We commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010.

Phase I of Chongqing Dadukou Project

Phase I of Chongqing Dadukou Project is located underneath Hurong Road, Jinxia Street and Songqing Road of Chongqing. The project occupies an underground shopping center with an approved GFA of approximately 100,000 sq.m. We commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010.

Phase I of Anshan Project

Phase I of Anshan Project is located underneath Tiedong Second Dao Street, Culture Street and Jianguo Road of Anshan, Liaoning Province. The project has an approved GFA of approximately 49,840 sq.m. We commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010.

Phase I of Chengdu Project

We acquired an underground shopping center in Chengdu, Sichuan Province in April 2010 for a purchase price of approximately RMB289.0 million. The project is located underneath the Dongyu Street (starts at the East End of South Renmin Road in the west and ends at Shuncheng Street in the east), part of Shuncheng Street (starts at the South End of West Yulong Street in the north, ends at the North End of Dongyu Street in the south), and part of Yanshikou (which is located at the junction of Shuncheng Street, Dongyu Street, East Avenue, Daye Road and Ranfang Street). The shopping center has an aggregate GFA of approximately 40,100 sq.m. and we have also obtained the underground space use rights over an adjacent area with an aggregate GFA of approximately 50,400 sq.m. As such, the aggregate GFA of Phase I of Chengdu Project is approximately 90,500 sq.m. The construction of the 40,100 sq.m. shopping center has been completed and the remaining 50,400 sq.m. is subject to future development.

Phase IV of Harbin Project

Phase IV of Harbin Project consists of two sections: Nangang section and Daoli section. The Nangang section will be located underneath Guogeli Street, Dongdazhi Street, Huayuan Street and Jianshe Street in Nangang District and the Daoli section will be located underneath Shangzhi street, West 12th Street and Toulong Street in Daoli district of Harbin. The project has an approved GFA of approximately 15,738 sq.m.

Phase V of Harbin Project

Phase V of Harbin Project will be located underneath Wenjiao Street in Harbin. The project has an approved GFA of approximately 10,000 sq.m.

Tianjin Project

Tianjin Project will be located underneath Jinzhongqiao street in Tianjin. The project has an approved GFA of approximately 121,220 sq.m.

Ganzhou Project

Ganzhou Project will be located underneath the Circular of Southern Entrance in Central City District of Ganhou City and the adjacent land lot, which is underneath the Northern Section of Dongyang Road (300 meters long), Hongqi Avenue Circular (with a radius of 40 meters extending to the intersection of Jiankang Road in the east and the intersection of Huancheng Road in the west) and Wenqing Road (to the intersection of Qingnian Road in the north). The project has an approved GFA of approximately 170,000 sq.m.

Luoyang Project

Luoyang Project will be located underneath Longmen Avenue (between Kaiyuan Avenue and Guanlin Street) of Luoyang City. The project has an approved GFA of approximately 194,840 sq.m.

Wuhan Northwestern Lake (Xibeihu) Project

Wuhan Northwestern Lake (Xibeihu) Project will be located underneath Jianshe Avenue, Xinhua Road and the West Lake, North Lake and Spring Park of Jianghan District. The project has an approved GFA of 450,000 sq.m. for an underground shopping center.

Kunming Project

Kunming Project will be located underneath the Yunfang shopping centre (the plaza and surrounding roads) in Kunming. The project has an approved GFA of approximately 200,000 sq.m.

Nanchang Bayi Tunnel Project

Nanchang Bayi Tunnel Project will be located underneath Bayi Avenue in Nanchang. The project has an approved GFA of approximately 162,000 sq.m.

Shenzhen Project

Shenzhen Project will be located underneath North Huaqiang Road and Huali Road in Shenzhen. The project has an approved GFA of approximately 160,000 sq.m.

Wuhu Project

Wuhu Project will be located underneath the west of Zheshan Park and the Beijing West Road in Wuhu City of Anhui Province. The project has an approved GFA of approximately 150,000 sq.m.

Qingdao Project

Qingdao Project will be located underneath Dunhua Road and Lianyungang Road (covering the Central Plaza at the junction of the two roads) in the Central Business District of Qingda and will cover the underground area from Shandong Road to the east, Fuzhou Road to the west, Yanji Road to the north and Liaoyang West Road to the south. The project has an approved GFA of approximately 500,000 sq.m.

Phase II of Guangzhou Project

Phase II of Guangzhou Project will be an extension of Phase I of Guangzhou Project and located underneath Zhanqian Road and Zhannan Road and in the railway station commercial center of Guangzhou. The project has an approved GFA of approximately 48,000 sq.m.

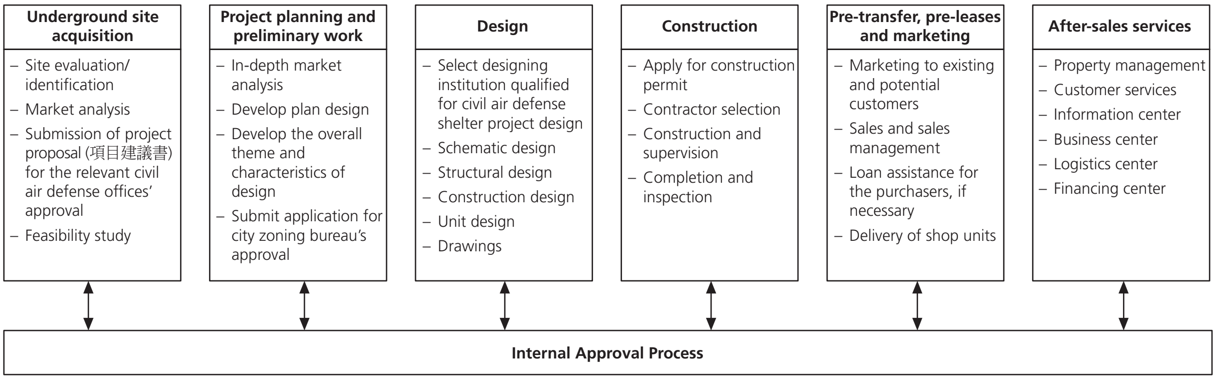
Phase II of Zhengzhou Project

Phase II of Zhengzhou Project will be located underneath East Jinshui Road and Hengshan Road in Zhengzhou. The project has an approved GFA of approximately 350,000 sq.m.

Our Principal Activities

Project Development and Operation

We are primarily engaged in operating and developing underground shopping centers for the wholesale and retail sale of apparel and accessories in China. We gain access to prime locations in the commercial centers of cities and near hubs of public transportation by building our underground shopping centers as underground civil air defense shelters and obtaining approval from the relevant government authorities to do so. Although each project development is customized for the specific conditions of the location and designed in accordance with the requirements of the relevant local authorities, the diagram below summarizes the major stages involved in developing and operating a project.



Strategy Development

Project development begins with the formulation of our overall development strategy and investment plan. Our board of directors and senior management undertake an in-depth assessment of certain key matters, including:

- the macro-economic policies and development plans of the PRC government and the likely impact on the economic growth and development of the city concerned;
- the economic growth and prospects and the supply and demand conditions in the underground shopping center market of the city concerned; and
- the level of proposed investment to complete the project.

Once our overall development and investment strategy is formed, the strategy is relayed to our various departments, our subsidiaries, and the teams in charge of various cities.

We have established various departments, including departments in Harbin and in each other city in which we operate or for which we are planning to develop projects, to oversee and control the major steps of all of our project developments. We have formed individual project companies to manage the day-to-day operations of individual projects, including construction, engineering, project management and the supervision of daily financial and administrative matters. Through our past experience in developing underground shopping centers in Harbin, Guangzhou, Zhengzhou and Shenyang, we have set up a standard model to implement our project development from site selection to marketing. Our management system helps us improve our operating efficiency, optimize the use of our capacities and resources, enhance our negotiating power with suppliers and contractors and facilitate the sharing of resources and expertise among various projects in areas such as design, construction and sales and marketing.

Site Selection and Market Analysis

We place a strong emphasis on site selection and consider it fundamental to the success of our project development. Therefore, we devote significant management resources to selecting appropriate location. In conjunction with our ongoing market research, we identify and evaluate possible cities and sites for new projects. We have a market research and analysis department comprised of approximately 420 employees as of December 31, 2009. Prior to our entering a new city, a market research team will conduct market research on the potential demand for a shopping center, determine how to position the markets that we develop, establish a blueprint of the project design and calculate a gross profit margin for the project. The market research team will then prepare a research report for the senior management to evaluate the potential investment opportunities in certain areas of the city.

To date, we have focused on the development of large-scale underground shopping centers located in the centers of certain provincial capitals and other major cities in China. Our major site selection criteria include:

- size and location of the underground civil air defense shelter facilities;
- general public's access to the site and public transportation availability;
- access to the manufacturing bases and consumer centers of the apparel industry;
- fit into the national commercial network we are seeking to establish;
- potential pool of tenants and conditions of logistics system;
- applicable zoning regulations;
- existing and potential competition from other above-ground or underground shopping centers in the area; and
- projected cost, investment level and financial return of the potential developments.

Project Approval

All of our projects that are categorized as underground civil air defense shelter facilities for commercial use are different in nature from ordinary civil construction projects. The development of underground civil air defense shelter facilities must meet the guidelines of the authorities so that the facilities can provide shelter for civilians in times of war, and therefore are subject to the review and approval of the national and local government authorities in charge of civil air defense shelter facilities.

Although, under *the Civil Air Defense Law of the PRC* and the relevant regulations thereunder, we were granted a right to commercially develop and operate the underground civil air defense shelters with the approval from local and national civil air defense offices, current PRC laws and regulations do not specify the scope, the length of the term or the commencement date of such rights and neither do the approvals we have received from civil air defense offices for our projects. With respect to our projects in Harbin, Guangzhou, Zhengzhou and Shenyang, we have obtained certificates from the local civil air defense offices of Harbin, Guangzhou, Zhengzhou and Shenyang to the effect that we will have the right to use, operate, manage, profit from such projects, and specifically, to transfer the operation rights of certain portion of the projects to third parties, for a period of no fewer than 40 years in the absence of war. Jingtian, our PRC legal advisor, has advised us that the local air defense offices in Harbin, Guangzhou and Zhengzhou and Shenyang are competent authorities to issue the certificates and on the basis of these certificates, that we would have exclusive rights to the commercial use of the underground civil air defense shelters developed by us for no fewer than 40 years in the absence of war, starting from the date of opening for business. It is not clear whether we will have to return the operation rights of the underground shopping centers after the exclusive use period and the approval documents do not include any extension clause to the exclusive-use period.

All approvals from the civil air defense offices confirm the use of the civil air defense shelters that we invested and developed for commercial purpose during peace time. These approvals normally also specify the proposed use of our projects during times of war. For instance, Phase II of Harbin Project was approved to be used as civilian's shelters and materials storage space during times of war. According to *the Civil Air Defense Law of the PRC* and the relevant regulations thereunder, we are entitled to the benefits from the operation of our underground shopping centers which, as advised by Jingtian, our PRC legal advisor, based on its interpretation of the relevant laws and regulations, include the proceeds from the lease and transfer of operation rights of our shop units, and are obligated to undertake the daily maintenance and management of our underground projects and to unconditionally turn the projects over to the government authorities during times of war. Any transfer of the operation rights of any entire underground shopping center, however, is subject to the approval of the relevant civil air defense offices.

Permits and Certificates
Once we have obtained approvals for the projects (項目建議書批覆) from the National Civil Air Defense Office which permits us to develop our projects, we must obtain a number of certificates, permits and licenses from the PRC government to commence the development process, including:

- the approvals from the National Civil Air Defense Office and its local offices for (i) the feasibility study report and (ii) the construction drawings, which are documents evidencing the right to develop underground civil air defense shelter facilities for commercial use;
- the Construction Works Planning Permit (建設工程規劃許可證) issued by the municipal planning bureau of the cities in which the projects are located, which is a certificate that indicates government approval for a developer's overall plan and design of the project and allows a developer to apply for a Work Commencement Permit; and
- the Work Commencement Permit (施工許可證) issued by construction bureau or Approval for Construction Commencement (經批准的開工報告) issued by the civil air defense authorities of the cities in which the projects are located, which is a permit required for commencement of construction.

As of the date of this offering memorandum, we have obtained all necessary approvals and licenses to conduct our business in China.

Financing of Project Developments
Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. Our sources of funding for our project developments include primarily cash flow from operations and, prior to our initial public offering and listing of shares in the Hong Kong Stock Exchange in October 2008, borrowings from banks. We may also obtain financing through equity or debt offerings.

Because we are not a real estate developer and our projects are not real estate property development projects, we are not subject to many of the PRC government restrictions on property developers such as the internal capital ratio requirement. The PRC banks we deal with, however, normally require that our internal funds be no less than 30% of the total capital required for the project before they would grant any project loans to us. We typically use internal funds and, prior to our initial public offering in October 2008, borrowings from PRC banks to finance the preparation work and the initial construction costs for our project developments. From a legal perspective, the fact that our projects are built as civil air defense shelters has not affected and is not expected to affect our ability to obtain bank loans and the terms of such loans because there are no special government regulations prohibiting or limiting access of bank loans for companies that construct and develop underground civil air defense shelters for commercial use. Additional cash is generated from the transfer of the operation rights of the shop units in our projects prior to the completion of the projects and one-time entry fees from our new tenants. Such proceeds from the transfer of operation rights, together with our internal funds, are the major sources of funds for the construction of our projects. We expect to explore more funding channels, such as project loans from PRC banks and borrowings from non-PRC financial institutions, to fund our future projects.

Design

All of our projects are civil air defense shelter facilities and are categorized as projects involving national security. Under PRC laws and regulations, such projects must be designed by institutions qualified in designing national security projects. We typically outsource our design work directly to qualified civil air defense shelter design institutes.

With a view to bringing fresh design perspectives to our projects and increasing our general profile, after we select a civil air defense shelter design institute, we conduct extensive discussions with the institute to establish architectural concepts that will enhance the commercial viability of our project without undermining its function as a civil air defense shelter. We determine design criteria in light of market demand and functional requirements, such as the size and layout of retail space, in order to maximize return. We always engage a third-party geology institute to conduct a geological exploratory survey and topographic mapping of the project site, which will provide information to facilitate the architectural design.

The civil air defense shelter design institutes that we select work closely with our in-house design team to translate the overall design concept into detailed design and engineering blueprints. At the construction stage, our outside architects and in-house design team assist our project engineers with, among other things, continuous on-site supervision and advice. By having the designers and architects closely involved in the construction process, we strive to ensure that the construction progresses according to the original design and that quality is maintained at a satisfactory level.

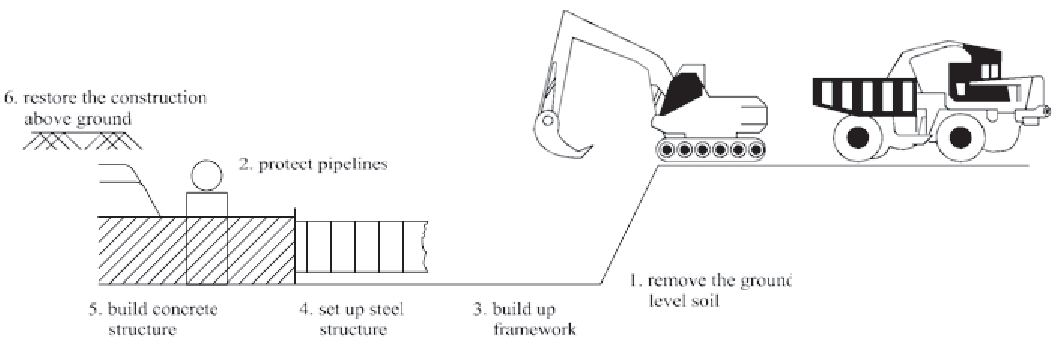
Pre-Construction Coordination

The construction of our underground project beneath the roads of prime commercial areas is complicated and requires the cooperation of various government authorities and utility suppliers. We initiate discussions with various local government authorities including, among others, the city planning bureaus and the transportation bureaus at an early stage of each of our projects, typically at the same time as we submit project proposals (項目建議書) to the relevant civil air defense offices. We provide these government authorities with our proposals on temporary public transportation adjustment plans during the construction period and work with them to finalize these plans. We also have discussions with all public utility suppliers such as electric, water, gas, telecommunication and cable companies regarding various pipelines under the areas where our project is located. We seek their assistance in locating the underground pipeline networks and also coordinate with them on the timing of our construction process to ensure that these utility suppliers will send their own teams to take care of their own pipelines. Given the number of parties that are involved, the scope of coordination and the capital available to us, these pre-construction coordination efforts are time-consuming and can last for several months or even more than one year. Nonetheless, we believe that pre-construction coordination is critical to our timely completion of the construction process.

Procurement and Construction

We engage third-party contractors for construction and interior decoration. We typically divide the construction process into several different tasks, such as structural construction, equipment installation, engineering and interior work, and hire separate contractors for each task. For the years ended December 31, 2007, 2008 and 2009, we have engaged more than 10 contractors, each of which has been working with us for a period ranging from a few months to more than two years. As permitted by PRC laws and regulations, we select contractors for our construction work through private negotiation and normally request potential construction contractors to provide a proposal with a fee quote. We consider the contractor's track record, past performance, reputation for reliability, quality and safety, references, proposed delivery schedule and cost in our selection process and seek to maintain our construction costs at a reasonable level without sacrificing quality. We also check and confirm the class of qualifications of each contractor as part of our due diligence work considering and selecting contractors to which our construction work will be awarded. Once we select a contractor by taking into account both the quality and price quoted by it, we will enter into a formal construction contract to confirm the terms and conditions that have been agreed upon.

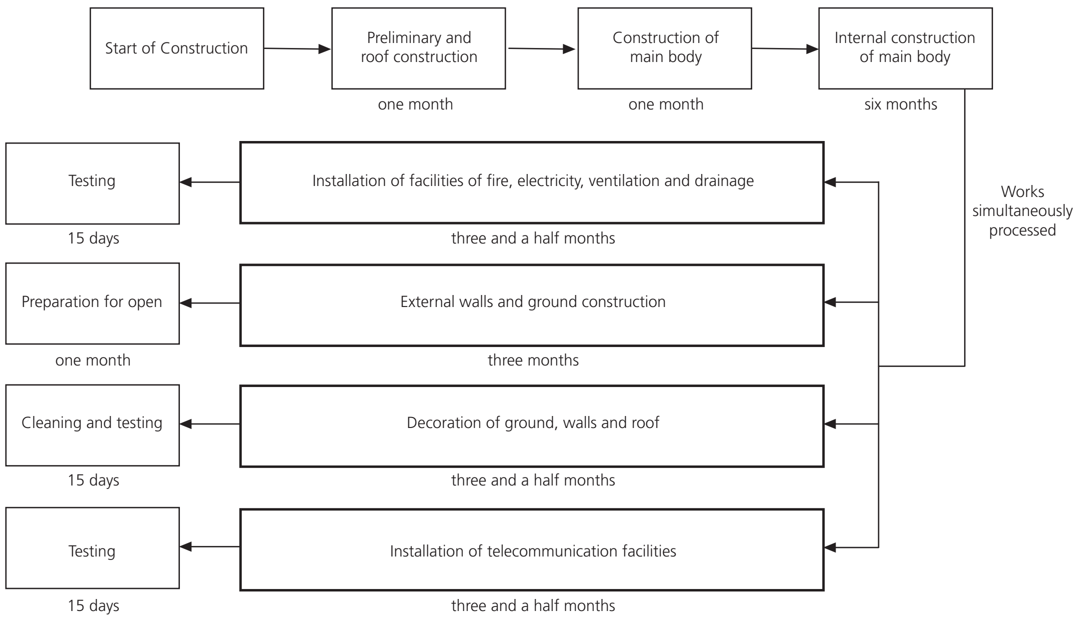
Our current underground projects are typically constructed in the commercial centers of each city. These city center areas are generally locations with heavy traffic and high-rise buildings, and therefore we usually adopt the "reverse construction method." The reverse construction method is widely used in the construction of underground civil air defense shelter projects and other underground projects. Contractors are required to complete the ground construction of the project within a short period of time. For example, the ground construction was completed within 30 days in our Phase I of Guangzhou Project and 22 days and 18 days in the different sections of our Phase I of Zhengzhou Project. These contractors first remove the ground level soil, coordinate with other contractors engaged by various public utility suppliers and build a strong ceiling for our underground civil air defense shelters first. Once the ceiling is built, the contractors refill the excavation to restore the transportation above-ground. Then, the contractors gradually dig underneath the ceiling from a limited number of entrances on the sides of the road to construct the structure of our underground civil air defense shelters. The method is designed to minimize disruption above-ground and requires adequate equipment as well as extensive experience to properly execute. In addition, civil air defense shelters must meet the requirement to function as protective shelters during times of war, so the construction must adhere to high standard in order to pass the inspections and tests of various authorities. Contractors that can meet these criteria are limited, and we will only select experienced construction companies, most of which have National Class A qualifications. All of our contractors engaged in 2007, 2008 and 2009 possessed requisite qualifications for general construction work, and there are no special qualification requirements under PRC laws and regulations for the civil air defense shelters' constructions. We have established good working relationships with contractors such as Henan Provincial No. 5 Constructional Engineering Co., Ltd. and China Construction Second Engineering Bureau. Below is a chart demonstrating a typical application of the reverse construction method to the ground construction of a project.



Upon selection, the contractor enters into a construction agreement with us. Construction payments are determined primarily based on estimated labor and material costs and fitting requirements, and are adjusted based on actual completed construction in order to reflect any necessary changes during the construction process. The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations in all aspects during their construction process, in particular, those relating to the quality of construction, as well as our own standards and specifications. Our engineer construction department monitors quality, cost and construction progress. In the event of a delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies. The contractors are also subject to our quality control procedures, including appointment of internal on-site quality control engineers, examination of materials and supplies, on-site inspection and periodic submission of progress reports. Our construction agreements typically provide for payments based on construction progress until a specified maximum percentage of the total contract price is paid. For the ground construction and equipment purchase and installment, we will make a prepayment typically ranging from 20% to 60% of the contract sum before the commencement of work and subsequent payments will be made when the progress reaches certain milestones. For the structure construction, consistent with market practice, we typically do not make prepayments but instead, make payments according to the progress on a monthly basis. These monthly payments are 80% of the value of the work carried out in a given month (subject to minor adjustments). When the total amount paid, including the prepayment, reaches 70% to 80% of the contract price, further payments will be suspended until completion of the task. Except for approximately 5% of the contract price, which we generally withhold for one year after completion as retention money to cover any damages as a result of any construction defects, the remaining balance is payable upon the filing of a construction work completion report with the relevant civil air defense offices. The total amount of fees paid to our contractors for the years ended December 31, 2007, 2008 and 2009 was approximately RMB101.7 million, RMB1,197.0 million and RMB1,723.0 million, respectively.

For the years ended December 31, 2007, 2008 and 2009, we were not involved in any dispute with nor was there any case of material personal injury or death involving our contractors that could have a material and adverse effect on our business.

The following diagram illustrates the typical construction process for our projects:



For the years ended December 31, 2007, 2008 and 2009, purchases attributable to our single largest supplier, excluding purchases of land use rights, accounted for approximately 9.4%, 20.8% and 26.7%, respectively, of our total purchases in each period. For the same periods, purchases attributable to our five largest suppliers, excluding purchases of land use rights, accounted for approximately 36.2%, 63.2% and 53.4%, respectively, of our total purchases in each period.

Monitoring and Supervision

Time control. To monitor construction progress, we develop a master plan, which sets out the scope and timing of each construction task. In light of varying time pressure we experience during the ground construction period and thereafter, we adopt different time control and management methods during different periods of the construction process. During the ground construction period, we conduct daily meetings with each of the contractors, and our project team works closely with the contractors to ensure strict compliance with the time schedule in the master plan. We subscribe for long-term weather forecasts and make preparations in advance or adjustments to the construction progress accordingly. We also ask the contractors to guarantee the timely completion of ground construction and impose penalties for significant delays.

Once the ground construction is completed and the structure construction commences, we monitor our construction progress through weekly meetings. A weekly meeting is held following the ground construction period, in which all our main contractors and their subcontractors participate. The master plan is adjusted in light of any delay reported by the contractors with a view to completing the overall project according to the original schedule. We have consistently completed our projects according to or ahead of our pre-set time schedules and the deadlines set out in the lease and transfer contracts which are entered into with tenants and purchasers prior to the completion of the projects while maintaining the quality of the developments and keeping our construction costs within our budget by strictly complying with our project development procedures.

Quality control. We place emphasis on quality control to ensure that our properties and services comply with relevant rules and regulations regarding quality and safety and are consistent with market practice. We have quality control procedures in place in our different functional departments as well as in each project company.

We conduct daily on-site inspections and supervision to ensure quality of materials and workmanship. Our contractors procure all equipment and construction materials necessary for each task in accordance with the specifications provided by us. We do not own construction equipment and do not maintain any inventory of building materials. However, under certain circumstances, we may instruct a contractor to purchase raw materials from specific suppliers to ensure that the materials meet the particular requirements of our projects. Our contractors are required by law to provide us with warranties for any losses we incur as a result of any delays in construction or any deficiencies in contractual or statutory quality standards.

To maintain quality control, we employ strict procedures for selection, inspection and testing of equipment and materials. Our project management teams inspect equipment and materials to ensure compliance with contractual specifications before accepting the materials on-site and approving payment. We reject materials that are below our standards or that do not comply with our specifications.

To ensure quality and monitor the progress and workmanship of construction, each of our projects has its own on-site project management team, which consists of qualified engineers led by a project manager. In addition, we have a quality control division, which consists of seven qualified engineers that inspect the quality of the construction work on a selective basis. As required by PRC laws and regulations, we also engage qualified independent quality supervisory companies to conduct quality and safety control checks on building materials and workmanship.

We request a warranty from the contractors for the structure and certain fittings of our project developments in accordance with the provisions of our agreement with them and the relevant rules and regulations.

Cost control. For each project we prepare a master budget which requires approval by our board of directors. We have two on-site reviewers for each project who review and verify the costs incurred in detail and compare such costs with the master budget. If the actual budget is likely to exceed the initially approved budget, prior approval from senior management must be obtained.

Our cost control mechanism for selecting our contractors is described above in the paragraph headed "– Our Principal Activities – Procurement and Construction."

Marketing

Our sales and marketing activities for leasing and transferring operation rights of our shop units are conducted by each project company. As of December 31, 2009, our marketing team (including market research and analysis team) comprised approximately 420 employees.

Prior to marketing activities, we conduct extensive market survey and detailed analysis of market conditions, collect information of targeted potential tenants, formulate marketing strategies and determine pricing policies. Our sales and marketing staff propose advertising and sales strategies for new project development and plan and organize efficient and orderly on-site sales procedures. We sometimes make adjustments to our pricing policies based on market feedback. As part of our marketing plans, we typically price our underground shop units at a discount from prevailing market prices to quickly build up momentum in marketing and to maintain the attractiveness and competitiveness of our shop units.

We adopt a variety of measures to reach potential tenants, including advertisement through traditional media such as television and newspapers, sponsoring brand name fashion promotional events, organizing seminars for our tenants to discuss fashion trends and participating in fashion exhibitions. We also provide extensive after-sales services, such as security management, maintenance and interior consulting services to our tenants and purchasers of operation rights. We also recognize the importance of brand name promotion in delivering higher sales volume and profit margins. We believe the growing recognition of our brand name has helped us achieve a high occupancy rate for our projects. For example, we successfully leased out all of the shop units we allocated for leasing to the tenants prior to the opening of our Phase I of Guangzhou Project, Phase I of Zhengzhou Project and Shenyang Project.

We believe that marketing efforts enable us to become a preferred partner in apparel wholesale and retail in China for various medium- to small-sized apparel distributors. For example, some of the existing tenants of our projects in Harbin and Phase I of Guangzhou Project leased shop units in our Phase I of Zhengzhou Project when we opened the shopping center in Zhengzhou.

Leases

Tenant Profile

As of December 31, 2009, other than Gexin section of Phase II of Harbin Project, all of our existing leasable GFA is occupied by individually-owned businesses engaged in apparel wholesale and retail of a variety of clothing, including women's fashion, men's fashion, children's apparel, jeans, casual wear and underwear. The clothing sold by our tenants carries various local brands as well as certain national brands. As of December 31, 2009, our underground shop units were leased to 3,056 wholesale and retail tenants under 3,907 tenancies.

We do not have a concentrated tenant base as our tenants are individuals and none of them lease more than 2% of our gross leasable GFA or contribute more than 2% of our gross lease income. The five largest tenants of our underground shopping centers in terms of lease income accounted for approximately 3.37%, 4.27% and 6.43%, respectively, of total lease income for the years ended December 31, 2007, 2008 and 2009. None of the five largest tenants are connected persons to our directors, their associates or any shareholders holding more than 5% of our share capital.

Expiries, Renewals and Rent Reviews

Lease terms for the shop units in our underground shopping centers generally range from one to six years, depending on factors such as demand for the specific property and the operating history and reputation of a particular tenant. As of December 31, 2009, approximately 9.8% of the lease agreements in term of the number of contracts had terms of over three years.

Our tenants enter into fixed term lease agreements with us and none of our tenants are granted options to renew their tenancies upon expiration of the lease term. However, they are offered a right of first refusal to renew the lease on the same terms as we can obtain from a third party. The lease agreements do not generally give tenants the right to terminate their tenancies prior to their scheduled expiration dates, although certain leases permit tenants to terminate part or all of the leased units with prior notice, subject to the cancellation of any rent-free period and forfeiture of the security deposit.

Delinquency Rates

No write-offs or provisions for unpaid rents were made for the years ended December 31, 2007, 2008 and 2009. This is primarily due to our rent collection policy, which generally requires upfront rent payment for a certain period at the beginning of a lease period.

Lease Agreements and Tenancy Management
Upon entering into a lease, tenants are required to provide a security deposit in cash. Security deposits are unsecured and do not bear interest. The rent payment period is different for the shop units in different locations but we typically require tenants to pay rent for a certain period upfront. Consistent with market practice, rent-free periods, with varying terms depending on market conditions and the term of the lease agreements, are commonly granted on tenancies. All of our tenants pay the fixed rent as agreed in the lease agreement, and we do not charge any turnover rent (generally calculated as a percentage of the gross revenue of the tenant's business conducted at the leased space). Some leases provide for predetermined increases in rent over the term of the lease. We also collect a one-time entry fee for the leases of shop units in our Phase I of Guangzhou Project.

Under the leases, tenants are normally responsible for payment of utilities in the shop units and building management fees, while we are responsible for payments of utilities in the public area. Tenants are generally also responsible for repair costs, and the payment of all other expenses related to the interior of the leased units, while we are generally responsible for repairing the common area and the main structure. Tenants are generally not permitted to assign or sublet the leased units without our prior consent. Most of our leases specifically provided that we will not be liable for any losses to the tenants caused by force majeure, including war or government activities. However, we are required to refund to the tenants the upfront rental payment for any unused term (excluding one-time entry fee) if the leases are terminated due to such events and we request that the shop units be returned to us. For a small portion of leases which do not include such a provision, Jingtian, our PRC legal advisor, has advised us that under relevant PRC laws and regulations, we are partly or entirely exempt from liabilities for breach of contract to our tenants due to any force majeure events, including war and any seizure of properties by government due to force majeure.

The majority of leases do not give tenants the right to terminate their leases prior to the scheduled expiration dates. A limited number of tenants may terminate the leases with respect to part or all of the leased units by prior notice to us and subject to our consent, provided that any rent-free period will be cancelled and the security deposit will be forfeited. The lease agreements that we entered into with tenants provide that in the event a tenant terminates the lease without our consent, he or she will be responsible for his or her breach of contract and must indemnify us for any losses we incur from such early termination. As of December 31, 2009, none of our tenants had terminated their leases with us prior to the scheduled expiration dates. We have the right to terminate leases upon the occurrence of certain events, such as non-payment of rent or breach of covenants by the tenants. The tenants are required to use the leased units for the purposes specified in the tenancies and permitted under the government approvals.

Under the leases, tenants agree not to sell counterfeit or inferior merchandise in the shop units that they lease from us. If any such activities occur, the tenants agree to indemnify our losses.

Transfer of Operation Rights
As of the date of this offering memorandum, we have transferred operation rights of a portion of shop units in Phases I to III of Harbin Project, Phase I of Guangzhou Project, Phase I of Zhengzhou Project, Phase I of Shenyang Project, Heilongjiang Renhe Spring Project (Youyi Road Section), Phase VI of Harbin Project and Wuhan Hanzheng Street Project. For all of our projects other than Phase I to III of Harbin Project, we commenced the marketing and entered into transfer agreements prior to the completion of their construction progresses. According to Jingtian, our PRC legal advisor, our practice to conclude transfer agreements prior to the completion of construction of the relevant projects does not violate any PRC laws and regulations. The agreements that we entered into with transferees have terms covering the remaining time period of our exclusive-use period in the relevant projects. In connection with pre-completion transfers, our transfer agreements normally provided that 30% to 50% of the transfer price be paid upon the execution of such transfer agreements, while the remaining 50% to 70%, which the transferees may choose to finance through bank loans, be made within 180 days upon the delivery of the shop units to the transferees. Under the transfer agreement, a transferee may use the shop units itself for legal purposes or lease it to others or further transfer the operation rights to others during the term of the transfer. Our transfer agreements do not have binding effect on the sub-transferees, but any further transfer by the transferees is subject to our consent. Upon the

expiration of the term, the transferees must return the shop units to us. We provide transferees an overall introduction of our projects prior to the completion of any transfer so that our transferees have the opportunity to know that our underground shopping center are constructed as civil air defense shelters. All of our operation rights transfer agreements specifically provide that neither the transferees nor we will be liable for any losses to the transferees caused by earthquake, typhoon, flood, lightening strike and other natural disaster, turmoil, war, disease or other social phenomena, action of government or other uncontrollable, unpredictable circumstances that affect the perforcement of agreement or cause losses. We, however, are required to refund to the transferees the transfer price for the remaining term on a pro rata basis if the transfer agreements are terminated due to such events and we request that the shop units be returned to us.

For the years ended December 31, 2007, 2008 and 2009, the five largest transferees of our underground shop units in terms of income from the transfer of operation rights accounted for approximately 13.46%, 4.86% and 37.08%, respectively, of total revenue from the transfer of operation rights. None of the five largest transferees are connected persons to our directors, their associates or any shareholders holding more than 5% of our share capital. In 2009, we disposed our entire interest in our subsidiary holding Phase I of Zhengzhou Project to First Achieve Holdings Limited, an independent third party, for a total consideration of HK$2,765.4 million and recorded a net gain on disposal of subsidiaries in the amount of RMB1,906.8 million (US$279.3 million) in 2009, which contributed a significant portion of our profit for that year.

Rental of Indoor Advertising Boards, Advertising Light Boxes and Digital Television Screens

In addition to our underground shop units, we also lease indoor advertising boards and advertising light boxes and display advertisements and other public information on digital television screens in the corridors of our underground shopping centers. We had 170 indoor advertising boards, 599 advertising light boxes and 124 digital television screens as of December 31, 2009. The advertisers using our advertising boards, advertising light boxes or digital television screens include the tenants of our shop units. We also engage independent third party advertisement companies to help secure advertising clients.

The following table sets forth the income derived from leasing indoor advertising boards, advertising light boxes and digital television screens during the periods as indicated:

	For the years ended December 31,		
	2007	2008	2009
	(RMB in thousands)		
Indoor advertising boards	5,358	1,928	1,965
Advertising light boxes	11,554	17,292	22,424
Digital television screens	2,755	2,521	2,894

Property Management

We, through our project companies that run the operation of each project, manage the shopping centers that we have developed or acquired. Except for the management services provided to Phase I of Zhengzhou Project which we sold out our entire interest in it in December 2009, our management companies do not provide services to projects owned by third parties. Each of our project companies in the PRC is responsible for operating its project, collecting rents from tenants and effecting purchase and expense settlement for each project. Our project companies also provide a range of services for our shop units, including security services, maintenance, cleaning of public areas, operation of business centers and other services.

We typically do not enter into separate property management agreements with our tenants and purchasers of operation rights of our shop units, but instead, specify our management responsibility in the lease and transfer agreements. Our agreements for the lease or transfer of operation rights of our shop units contain a standard provision whereby, throughout the term of the lease or the transferred period, we provide comprehensive shopping-center management services at a pre-determined monthly fee. We also outsource some of the property management services, such as cleaning services, to independent third parties. We are responsible for establishing property management procedures and preparing maintenance and renovation plans with respect to our shopping centers and public facilities. The lease agreements also set forth the payment arrangements of management fees, which are normally fixed for certain period and can be adjusted periodically thereafter.

Properties We Occupy for Our Own Use

Pursuant to a lease agreement dated September 10, 2008 among MTR Corporation Limited, as the landlord, Renhe Commercial Management Limited, as the tenant and IFC Development Limited, as the developer, we agreed to rent an office premises with an area of approximately 4,557 sq.ft. located on the six floor of One International Finance Center, No.1 Harbour View Street, Central, Hong Kong for a monthly rental of HK$751,905. The term of the lease is three years commencing from September 1, 2008 to August 31, 2011 with an option to renew for a further term of three years at the then prevailing market rent in accordance with the lease agreement. As of the date of this offering memorandum, we have also leased office space in Xi'an, Chongqing, Harbin, Guangzhou, Wuhan, Handan, Weifang and several other cities in the PRC. One of the premises are leased from Harbin Jurong New Energy Co., Ltd. in which Mr. Dai Yongge and Mrs. Zhang Xingmei, our directors, effectively control over 50% of the equity interests. See "Related Party Transactions – Office Lease."

Competition

We believe that the competition among various types of shopping centers in China, whether underground or above the ground, is intense and our competitors include operators and developers of various types of shopping centers that are state-owned, privately-owned or owned by international developers, both underground and above the ground.

We face competition from other operators and developers of underground facilities for commercial use in the cities in which we have projects completed, such as Harbin. In Harbin, our principal competitors include companies owned or controlled by local air defense offices such as International Trade City, Golden Street Shopping Mall and Epoch Brand Street, and other companies such as Harbin HIT Group, which operates Hongbo Plaza. In addition, if we plan to develop future projects in other cities in China, such as Beijing, Changsha, Chengdu, Hangzhou, Hefei, Nanchang, Shenzhen, Taiyuan, Tianjin, Xi'an and Yiwu or if we want to expand our presence in the cities where we already have projects in operation or projects under development such as Guangzhou, Zhengzhou and Shenyang, we may face potential competition from the operators and developers of existing underground shopping centers in those cities. For example, in Guangzhou, our competitors may include Yuexiu City Construction Group, which operates Sky Metro City, an underground shopping center with a GFA of approximately 150,000 sq.m. In Beijing, the Beijing Central Business District Administrative Commission which operates CBD Underground Shopping Center, an underground shopping center right underneath the downtown area with a GFA of approximately 2,000,000 sq.m., may be our competitor.

As our underground shopping centers are presently focused on apparel wholesale and retail sales, our key competitors also include apparel wholesale markets above-ground in the cities which are the apparel distribution centers in China, such as Whitehorse shopping center and Xintiandi Apparel Shopping Mall in Guangzhou. Because we don't hold a qualification certificate of real estate developer, we cannot develop shopping centers above the ground. Some of our existing or potential competitors have better qualification, financial, marketing, location and other resources than we do, as well as greater economies of scale, and more established relationships in certain locations or markets. See "Risk Factors – Risks Relating to Our Business – Increasing competition in the PRC may adversely affect our business and financial condition" in relation to our competition with other large commercial shopping center operators and developers in China.

Intellectual Property Rights

Pursuant to a trademark license agreement, Renhe Group has transferred to us the "地壹大道" and trademarks in the classes relevant to our business. To protect our trademarks overseas, we have also applied for the trademark registration of portfolio of trademarks in the PRC and Hong Kong. One of our trademark applications in the PRC has been approved, 23 have been publicized and 20 applications are pending as of April 22, 2010. Our trademark application for "The First Tunnel" ("地一大道") in Hong Kong has been accepted for registration and details of the application have been published in the Hong Kong Intellectual Property Journal on 5 March 2010. There is a period of three months from the date of publication in which third parties may oppose the application. This opposition period may be extended for two months. If no opposition is filed within the time limit, the application will proceed to final registration and the Registration Certificate will be issued.

Insurance

Project developers in the PRC are not required under national or local laws or regulations to maintain insurance coverage in respect of their project development operations. We do not maintain insurance coverage for our projects under operation or development other than fire insurance or insurance coverage required by any of our loan agreements. We also do not require the construction companies we engage to maintain insurance coverage for properties under construction. In addition, we generally do not carry insurance against personal injuries that may occur during the construction of our properties. The construction companies, however, are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we have a set of standards and specifications that our construction workers must follow during the construction process. We engage qualified supervision companies to oversee the construction process. Under PRC laws, the owner or manager of a project under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe that we would generally be able to demonstrate that we were not at fault as the project owner if a personal injury claim is brought against us. In addition, under PRC laws and regulations, any liability that may arise from tortious acts committed on work sites will be borne by the construction companies.

As of the date of this offering memorandum, we had not experienced any significant loss or damage arising from our projects.

In addition, we also purchase various kinds of employee-related insurance, such as pension insurance, for our employees as required by PRC laws and regulations.

We believe that our policies with respect to insurance are in line with the practice of the project development industry in the PRC. However, there is a risk that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. See "Risk Factors – Risks Relating to Our Business – We do not have any business interruption, disruption or litigation insurance, and any business disruption or litigation we experience might result in our incurring substantial costs and the diversion of our resources."

Employees and Training

As of December 31, 2009, we had 2,113 full-time employees. The following table provides a breakdown of our employees by responsibilities as of December 31, 2009

	Number of employees	% of total
Management	28	1.3
Administration and Finance	565	26.7
Market Research and Analysis; Marketing	420	20.0
Planning and Development	453	21.4
Commercial Management and Operations	647	30.6
Total	2,113	100.0

The remuneration package of our employees includes salary, bonuses and other cash subsidies. In general, we determine employee salaries based on each employee's qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determinations on salary raises, bonuses and promotion. We are subject to social insurance contribution plans organized by PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, monthly social insurance premiums covering pension insurance, medical insurance, unemployment insurance and housing reserve funds. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business.

We believe we have maintained good relationships with our employees. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We have not experienced significant labor disputes which have adversely affected or are likely to have an adverse effect on our business operations.

We have established a training program that aims to support and encourage members of our management team to continue improving their management skills, including arranging for seminars and external training opportunities. We also provide comprehensive training for our employees to improve their skills and develop their careers. We provide orientation training for newly hired employees as well as continuing training for existing employees. We organize on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development, which are designed to improve the overall quality of our employees and promote the management skills of our mid-level and senior management personnel.

Environmental Matters

Although there are currently no laws or regulations specifically concerning the development and construction of civil air defense shelters, we are subject to standard environmental laws and regulations in China, including *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) and *the PRC Environmental Impact Assessment Law* (中華人民共和國環境影響評價法).

Each of our underground civil air defense shelter projects is required under PRC law to undergo environmental assessment. We submit the relevant environmental impact study analysis in our feasibility study report for approval before our construction work commences. During the construction phase, a project team is organized for each development project. The project team is under the direction of our project director appointed to supervise the project, including the implementation of the environmental protection measures. The project team is supported by external supervisory consultants specialized in supervising construction quality to ensure that it meets the requirements of the PRC government, including environmental protection measures. As required by law and the approval for our environmental impact studies, we are normally required to take measures to prevent air pollution, noise emission and water and waste discharges.

Upon completion of each project development, the relevant government authorities inspect our project to ensure that the construction of the project is in compliance with the requirements under relevant environmental laws and the approval for environmental impact studies by issuing an environmental protection evaluation certificate. We have obtained certificates from environmental authorities to confirm the compliance of environmental laws and regulations for all of our projects in operation.

We encourage our contractors and subcontractors to use equipment and facilities and to adopt or develop new technologies which are more environmentally friendly. Contractors are required to be responsible for their compliance with applicable environmental laws and regulations during the construction stage.

Unless otherwise disclosed herein, we confirm, and Jingtian, our PRC legal advisor, is of the opinion, that our operations are in compliance with currently applicable national and local environmental and safety laws and regulations in all material respects. See "Risk Factors – Risks Relating to Our Business – Potential liability for environmental problems could result in substantial costs."

Health and Safety Matters

Under PRC laws and regulations, we, as a project developer, may have liability for injuries or damages sustained by the workers on and visitors to our construction sites, most of which rest with our contractors.

Under *the Construction Law of the People's Republic of China* (中華人民共和國建築法), construction contractors assume responsibility for the safety of construction sites. For our developments, the main contractor takes overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor. Under *the Environmental and Hygienic Standards of Construction Work Site* (建築施工現場環境與衛生標準), a contractor is required to adopt effective occupational injuries control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries. To our knowledge, there has been no material non- compliance with the health and safety laws and regulations by our main contractors or subcontractors during the course of their business dealings with us.

As a project developer, we are subject to various PRC labor and safety laws and regulations, including those concerning working hours, work safety, minimum wages, social insurance and welfares for employees. To ensure the compliance with labor and safety laws and regulations, we appoint personnel to supervise the internal compliance of safety matters and to take safety records, and periodically provide trainings and seminars for them and other employees who are responsible for the matters. Other than the workers' injury insurance of which we had not been aware to be a mandatory requirement until we were advised by KPMG, our auditors, in October 2007, we have purchased all other mandatory social insurances as required in China and are in compliance with the applicable labor and safety laws and regulations in all material aspects. Although historically, we did not strictly comply with the PRC labor and safety laws and regulations regarding workers' injury insurance, we have never been notified to pay any administrative penalty for such non-compliance and have rectified it to make timely payment since October 2007. In any event, should any losses, damages, penalties, fees or costs arise as a result of this previous non-payment of workers' injury insurance premiums, our Controlling Shareholders have agreed to indemnify us against all such liabilities that we may incur.

Regulatory Matters

As confirmed by Jingtian, our PRC legal advisor, we believe that we have fulfilled all the necessary procedures on investment, construction and/or operation of the civil air defense shelters that are being operated or under development by us in China, in accordance with the applicable PRC laws and regulations. For a discussion of the applicable laws and regulations, see the section headed "Regulations."

Our subsidiaries in the PRC have obtained certificates from relevant tax authorities as to the full payment of any and all tax returns applicable to each of them. For any potential liabilities for any property tax that may be levied on us for the period prior to our initial public offering and listing of shares on the Hong Kong Stock Exchange pursuant to "the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Taxes relating to Underground Buildings with Housing Function," our Controlling Shareholders have agreed to indemnify us for any losses or liabilities in connection therewith.

Corporate Governance Measures

We have established three committees under the board of directors: Audit Committee, Remuneration Committee and Nomination Committee. See "Management – Board Committee."

Legal Proceedings

As of the date of this offering memorandum, none of us or any of our subsidiaries are involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to the directors to be pending or threatened by or against us or any of our subsidiaries.

In March 2008, we received an administrative notice (the "Notice") from the Guangzhou City Planning Bureau (the "Bureau"). The Notice stated that we had altered the use and design of certain parts of Phase I of the Guangzhou Project in violation of the construction planning permit originally issued for this project. The Notice stated that we had improperly converted into leasable GFA 6,196 sq.m. of space originally approved as a parking lot. In addition, we constructed an additional floor with a GFA of 2,179 sq.m., altered the design of certain entrances and exits, and installed certain structures as well as outdoor advertisement and sign boards. We had leased out all of the 6,196 sq.m. space and a portion of the 2,179 sq.m. space. Following receipt of the Notice, we terminated all leases in the 2,179 sq.m. space as of the end of July 2008 and are currently using the space only to house equipment in compliance with the Notice. We also removed the non-complying external structures and exterior boards and signs. As for the 6,196 sq.m. space, we received oral confirmation from the local authorities in Guangzhou to continue using it for commercial purposes, provided that we shall reduce the leasible GFA in Phase II of our Guangzhou Project by 6,196 sq.m. and build on such space an additional parking lot. We have fully paid a fine of RMB1,782,000 as assessed in the Notice. We also requested its department in charge of construction inspections and supervision to strictly follow the approved design during the construction process and not to make any alteration without obtaining written consent from relevant government authorities. Our Controlling Shareholders have agreed to indemnify us against all damages we may suffer as a result of this incident.

Management

The following table sets forth certain information with respect to our directors and senior management as of March 31, 2010.

Name	Age	Position
DAI Yongge (戴永革)	41	Executive Director, Chief Executive Officer and Chairman
ZHANG Dabin (張大濱)	52	Executive Director and Executive President (Project Construction)
WANG Hongfang (王宏放)	50	Executive Director and Executive President (Investments and Operations)
WANG Chunrong (王春蓉)	41	Executive Director and Vice President (Finance)
WANG Luding (王魯丁)	41	Executive Director and Vice President (Marketing)
LIN Zijing (林子敬)	41	Executive Director and Vice President
HAWKEN Xiu Li (秀麗•好肯)	47	Non-Executive Director
JIANG Mei (蔣梅)	38	Non-Executive Director
ZHANG Xingmei (張興梅)	41	Non-Executive Director
HO Gilbert Chi Hang (何智恒)	33	Non-Executive Director
CHI Miao (遲淼)	38	Non-Executive Director
FAN Ren-Da, Anthony (范仁達)	49	Independent Non-Executive Director
WANG Shengli (王勝利)	60	Independent Non-Executive Director
WANG Yifu (王一夫)	59	Independent Non-Executive Director
CHU Chengfa (楚成發)	42	Vice President
HUNG Fan Kwan (孔繁崑)	46	Chief Financial Officer
YUE Taoming (岳陶明)	47	Deputy General Manager of project construction department
SUN Qiwei (孫啟偉)	50	Deputy General Manager of project construction department
CHEN Bangju (陳幫聚)	56	General Manager of project construction department
GENG Xiaoguo (耿孝國)	45	Deputy General Manager of project construction department
LI Dongling (李冬玲)	38	Deputy General Manager of investments and operations department
ZHENG Yuchun (鄭育淳)	43	Deputy General Manager of investments and operations department
SONG Lei (宋磊)	37	Deputy General Manager of business management department
ZHANG Guiru (張桂茹)	38	Deputy General Manager of business management department
Qu Zhenping (曲振平)	38	Deputy General Manager of business management department
JIN Ling (金玲)	38	Assistant to the General Manager of business management department
YAO Zhiyun (姚志雲)	36	Deputy General Manager of finance department
YANG Yuhua (楊玉華)	46	Deputy General Manager of finance department

Directors

Our board of directors consists of 14 directors, six of whom are our executive directors, five are non-executive directors and three of whom are independent non-executive directors. Our directors are elected at meetings of our shareholders for a term of three years, renewable upon re-election and re-appointment. A description of the business experience and present employment of each of our directors is provided below.

Executive Directors

Mr. DAI Yongge (戴永革) was appointed as our Executive Director in December 2007 and as the Chief Executive Officer on February 26, 2008. He was also appointed as the Chairman of the Board on

August 25, 2008. With over 13 years of experience in the management of underground shopping centers, Mr. Dai is primarily responsible for our overall strategic planning and the management of our business. Mr. Dai has been a director of Harbin Renhe Century, the vice chairman of Guangzhou Renhe and the chairman of Zhengzhou Renhe since 2003, 2005 and 2007 respectively and is responsible for our strategic planning and management of the underground shopping centers in Harbin, Guangzhou and Zhengzhou. He was appointed as the chief executive officer of Renhe Group between 1999 and 2003 and was responsible for the strategic planning and management of Renhe Group. Mr. Dai was also involved in the management of a number of retail businesses in the PRC for over 10 years before becoming the chairman of Renhe Group in 1999. Mr. Dai is a brother of Mrs. Hawken and the spouse of Mrs. Zhang Xingmei.

Mr. ZHANG Dabin (張大濱) was appointed as our Executive Director in December 2007 and as our Executive President (Project Construction) on February 26, 2008. Mr. Zhang joined Renhe Group in 1999 and has more than 16 years of experience in real estate planning related businesses. From 1999 to 2003, Mr. Zhang was appointed as the chairman of Renhe Group. Since 2003, he has been the Chief Executive Officer and a director of Renhe Group. Mr. Zhang was appointed as a director of Harbin Baorong, Harbin Renhe Century, Guangzhou Renhe and Zhengzhou Renhe in 2000, 2002, 2005 and 2007 respectively, in which he was in charge of the overall strategic planning and construction of our projects. Prior to joining Renhe Group, he worked at Heilongjiang Province Urban Real Estate Development Company (黑龍江省城鎮房屋開發公司) as an assistant general manager from 1990 to 1992 and a deputy general manager from 1992 to 1999 and was responsible for overseeing the development of the real estate projects. Mr. Zhang was one of the members of the National Defense General Staff Corps of Engineers Construction Engineering Design (工程兵國防人防工程施工圖設計文件審查中心專家組) in 2007.

Mr. WANG Hongfang (王宏放) was appointed as our Executive Director in December 2007 and as our Executive President (Investments and Operations) on February 26, 2008. Mr. Wang joined Renhe Group in 2003 and has over 15 years of management experience. He is primarily responsible for the management of our operations. In 2003, he was appointed as the vice president of Renhe Group and became the executive president in 2006. Prior to joining Renhe group, he was assigned management positions in a number of companies in the PRC during the period of 1994 to 2000. From 2001 to 2003, Mr. Wang was the president of Harbin Jurong in which he was responsible for the overall planning and management of its business. Mr. Wang graduated from Harbin Institute of Technology (哈爾濱工業大學) with a bachelor's degree in automatic control mechanics (自動化控制) in 1982 and a master's degree in politics and economics in 1991.

Ms. WANG Chunrong (王春蓉) was appointed as our Executive Director in December 2007 and as our Vice President (Finance) on February 26, 2008. Ms. Wang joined our Renhe Group in 1996 and has over 19 years of experience in financial management. Ms. Wang is primarily responsible for overseeing the finance function of us and our subsidiaries. She worked as a manager at the finance department of Harbin Renhe Group from 1996 to 2000 and was later appointed as a director of Harbin Renhe since 2002. She is responsible for our financial management. Prior to joining Renhe Group, she worked at the accounting department of Heilongjiang Province Technology Information Research Office (黑龍江省科技情報研究所) from 1990 to 1996. She has also been appointed as the vice president of Renhe Group in 2003. Ms. Wang graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) in 1990.

Mr. WANG Luding (王魯丁) was appointed as our Executive Director in December 2007 and as our Vice President (Marketing) on February 26, 2008. Mr. Wang joined Renhe Group in 2002 and has over 17 years of experience in the management and marketing of retail businesses. He was a director of Harbin Renhe Century from 2002 to 2006. Since 2006, he has been appointed as the general manager of Guangzhou Renhe and he is responsible for the marketing and promotion of our projects. Prior to joining Renhe Group, Mr. Wang worked at Guomao City Underground Shopping Center (國貿城地下商場) from 1992 to 1996 in which he progressed from being a retail staff to the head of retail department and deputy general manager of the underground shopping mall and was responsible for promotional events nationwide. In 1997, Mr. Wang joined China Heilongjiang Harbin Manhattan

Multi-Line Group Co., Ltd. (曼哈頓多元集團有限公司) in Heilongjiang, China and was responsible for the management and marketing of its commercial building projects. Mr. Wang has been a vice president of Renhe Group since 2003 and he was responsible for the sales and marketing. Mr. Wang graduated from Heilongjiang China Communist Committee School (中共黑龍江省委黨校) with a bachelor's degree in economic management in 2002.

Mr. LIN Zijing (林子敬) was appointed as our president in 2008 and as our Executive Director in April 2010. He is mainly responsible for our business management of us and our subsidiaries. Mr. Lin joined Renhe Group in 2002 and has over 17 years of experience in management and market planning of retail business. From 2002 to 2008, Mr. Lin was appointed as general manager of Renhe International Health Club in Harbin (人和國際健身俱樂部). Prior to joining Renhe Group, Mr. Lin worked at Harbin Guomao City Shopping Centre from 1994 to 1996, and was promoted from secretary to general manager to deputy general manager. In 1996, he joined Harbin Manhattan Multi-line Group Co., Ltd. (哈爾濱曼克頓多元集團有限公司) in Harbin, Heilongjiang, China, and worked as general manager of commercial buildings and hotels. Mr. Lin graduated from the department of history of Harbin Normal University in 1991 and graduated from advanced studies of China Entrepreneurs Association (中國企業家進修班), Peking University in 2001.

Non-Executive Directors

Mrs. HAWKEN Xiu Li (秀麗•好肯) was appointed as our Non-Executive Director in November 2007. Mrs. Hawken joined Renhe Group in 1996 and is responsible for assisting our Executive Directors to formulate our strategies. She was appointed as a director of Harbin Renhe since 1996 and was appointed as its chairperson in 2002 until present. She has also been a director of Harbin Baorong since 2000. Mrs. Hawken graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in Chinese Literature in 1986. Mrs. Hawken is a sister of Mr. Dai Yongge.

Ms. JIANG Mei (蔣梅) was appointed as our Non-Executive Director in December 2007. Ms. Jiang joined Renhe Group in 2002 and is responsible for assisting our Executive Directors to formulate our strategies. Since 2002 she has been a director of Harbin Renhe Century. She has also been a director of Guangzhou Renhe and a director of Zhengzhou Renhe since 2005 and 2007, respectively. Prior to joining Renhe Group, she was the deputy general manager of an advertising company in the PRC from 1993 to 2000. Ms. Jiang graduated from Beijing Dance Academy (北京舞蹈學院) in 1991.

Mrs. ZHANG Xingmei (張興梅) was appointed as our Non-Executive Director in December 2007. Ms. Zhang joined Renhe Group in 1996 and has over 13 years of management experience of the underground shopping centres in the PRC. Since 1996, Ms. Zhang has been appointed as a director of Harbin Renhe. Since 2000, she has been a director of Harbin Baorong. She has also been the chairperson of Harbin Renhe Century since 2002. She has been appointed as a director of Guangzhou Renhe and Zhengzhou Renhe since 2005 and 2007 respectively and is responsible for overseeing the operation of their underground shopping mall projects. Ms. Zhang graduated from Heilongjiang Institute of Economic Management (黑龍江省哈爾濱經濟管理幹部學院) with a college degree in business administration in 1992. Ms. Zhang is the spouse of Mr. Dai Yongge.

Mr. HO Gilbert Chi Hang (何智恒) was appointed as our Non-Executive Director in December 2007 and is only responsible for assisting our Executive Directors in formulating our strategies and does not have any executive function or active participation in the day-to-day management and operation of us and our subsidiaries. Mr. Ho is the senior investment director of New World Development Company Limited and an executive director of New World Strategic Investment Limited. In January 2010, Mr. Ho has been appointed as the non-executive director of a Hong Kong listed company, New Environmental Energy Holdings Limited. Mr. Ho has extensive experience in the area of corporate finance and merger and acquisition transactions and was a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP prior to joining New World Development Company Limited. He is a Committee Member of the Chinese People's Political Consultative Conference of Shenyang and a Member of China Overseas Chinese Entrepreneurs Association. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales.

Mr. CHI Miao (遲淼) was appointed as our Non-Executive Director in March 2009 and is only responsible for assisting our Executive Directors to formulate our strategies and does not have any executive function or active participation in our day-to-day management or that of our subsidiaries. He is currently a principal of Warburg Pincus. He joined Warburg Pincus in 2005 and he focuses on real estate investments in the residential, commercial and hospitality sectors. He is also a director of Tianjin Red Star Macalline Home Decoration Co., Ltd and 7 Days Group Holdings Limited. Prior to joining Warburg Pincus, Mr. Chi was an investment services manager with CB Richard Ellis ("CBRE") in Shanghai. Prior to his employment at CBRE, he worked for a local real estate developer in Dalian, the People's Republic of China. Mr. Chi received an MBA degree from the University of Chicago Graduate School of Business.

Independent Non-Executive Directors

Mr. FAN Ren-Da, Anthony (范仁達) joined in 2007 as our Independent Non-executive Director. He holds a Master's Degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange. Mr. Fan is an independent non-executive director of Citic Resources Holdings Limited (Stock Code: 1205), Raymond Industrial Limited (Stock Code: 229), Chinney Alliance Group Limited (Stock Code: 385), Uni-President China Holdings Limited (Stock Code: 220) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange.

Mr. WANG Shengli (王勝利) is our independent Non-Executive Director. Mr. Wang is a retired military officer in the PRC with over 40 years of experience in the national defense force. Mr. Wang is currently the vice president of the China Commercial Real Estate Association (中國商業地產聯盟), a national association for the commercial real estate industry in the PRC which has a very close working relationship with the Ministry of Commerce of the PRC, Ministry of Construction of PRC and similar government agencies. Mr. Wang is also currently the vice chairman of the civil air defense subdivision of China Civil Engineering Society (中國土木工程協會防護工程分會副理事長), the consultant of Beijing Civil Defense Association (北京民防協會) and the consultant of Shandong Province Civil Defense Association (山東民防協會). From 1985 to 2005, he was an officer of the Civil Air Defense Department of the PRC (中國國家人民防空辦公室). Mr. Wang graduated from Liaoning University (遼寧大學) in 1985 with a bachelor's degree in Chinese Literature and politics.

Mr. WANG Yifu (王一夫) is our independent Non-Executive Director. Mr. Wang has over 30 years' experience in the banking and finance industry. Mr. Wang worked at several branches of the China People's Construction Bank (中國人民建設銀行) in Harbin from 1975 to 1993, during which he had worked at the accounting and investment divisions of various branches. He was appointed as the director (行長) of the marketing division and the senior economist of Harbin main branch of the China People's Construction Bank in 1991 and 1993, respectively. In 1996, Mr. Wang was appointed as the supervisor (監事長) of the internal auditing department of Harbin Commercial Bank (哈爾濱商業銀行) and was promoted to vice-governor (副行長) of the same department in 1999. Since 2004, Mr. Wang has been the inspector (調研員) of Harbin Commercial Bank (哈爾濱商業銀行). Mr. Wang graduated from Northeast Heavy Machinery College (東北重型機械學院) with a college degree in mechanical engineering in 1975.

Senior Management

Mr. CHU Chengfa (楚成發) is our vice president, and is responsible for the management of our administration and legal affairs. Mr. Chu joined Renhe Group in 1999 and has almost 18 years of experiences in the legal compliance field. Mr. Chu was appointed as the head of the legal affairs department of Renhe Group in 1999 and vice president of Renhe Group in 2003, advising the overall legal compliance of our projects. Prior to joining Renhe Group, Mr. Chu worked at Heilongjiang Province Hongsheng Trade Co. (黑龍江省宏盛經貿公司) as the head of the legal department and the deputy general manager of the company from 1991 to 1999. Mr. Chu graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1991.

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, is our chief financial officer, qualified accountant and company secretary, and is primarily responsible for overseeing our financial reporting procedures, internal controls and compliance with the requirements under the Hong Kong Listing Rules with regard to financial reporting and other accounting-related issues. Mr. Hung joined us in March 2008, is retained by us on a full-time basis and has over 20 years experience in accounting, finance and treasury functions. Prior to joining us, Mr. Hung was appointed to a number of senior accounting and financial positions with various listed and private companies in Hong Kong, including as executive director, chief financial officer and qualified accountant of Modern Beauty Salon Holdings Limited, a company listed on the Main Board of the Stock Exchange, and was previously a vice audit manager at Coopers & Lybrand (currently known as PricewaterhouseCoopers). Mr. Hung graduated with a Professional Diploma in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Chartered Association of Certified Accountants, a fellow member of the Hong Kong Society of Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

Mr. YUE Taoming (岳陶明) is a deputy general manager of our project construction department. Mr. Yue joined Renhe Group in 1999 and has over 10 years of experience in managing underground construction projects. From 1999 to 2006, he was a vice president of Renhe Group and was responsible for overseeing our underground construction projects. Since 2006, he has been the general manager of Zhengzhou Renhe and is responsible for the overall management of underground shopping mall units. Mr. Yue graduated from Hebei Institute of Industrial (河北工業職業技術學院) (formerly known as Hebei School of Foreign Trade 河北外貿學校) with a college degree in trading in 1990.

Mr. SUN Qiwei (孫啟偉) is a deputy general manager of our project construction department. Mr. Sun joined Renhe Group in 1996 and has over 13 years of experience in business administration and management of underground construction projects. He was the office head of Harbin Renhe from 1996 to 1999. From 1999 to 2003, he was appointed as an assistant general manager and head of the office of Renhe Group. From 2006 to 2007, Mr. Sun was appointed as a general manager of Guangzhou Renhe. Since 2007, he has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. From 2003 to 2006, he was a deputy general manager of Harbin Hada Fruits and Vegetables Wholesale Market Co. Limited. (哈達果菜批發市場有限公司). Mr. Sun graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) with a college degree in Chinese journalism in 1988.

Mr. CHEN Bangju (陳幫聚) is a general manager of our project construction department, primarily responsible for the engineering design of the construction projects. Mr. Chen has over 39 years of experience in the engineering of civil defense constructions. Mr. Chen joined us in 2007 and has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. Prior to joining us, Mr. Chen had worked at Heilongjiang Province Civil Defense Office (黑龍江省人防辦公室) since 1970 and had been the vice commissioner of the engineering design department and the commissioner of the same department. From 2006 to 2007, he was appointed as a senior counselor of Heilongjiang Province Civil Defense Office (黑龍江省人防辦公室). Mr. Chen graduated from Harbin Institute of Construction (哈爾濱建工學院) in 1984, specialized in industrial and residential construction engineering.

Mr. GENG Xiaoguo (耿孝國) is a deputy general manager of our project construction department. Mr. Geng joined us in 2001 and has over eight years of experience in project construction, mainly involved in the application process of the construction projects when they first commenced. Since 2006, Mr. Geng has been appointed as a director of Guangzhou Renhe. Mr. Geng graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1987.

Ms. LI Dongling (李冬玲) is a deputy general manager of our investments and operations department. Ms. Li joined Renhe Group in 2003 and has over eight years of experience in the field of marketing and sales. Since 2003, Ms. Li has been appointed as a deputy general manager of the sales and marketing department of Renhe Group. Prior to joining Renhe Group, she worked at the business management department as well as the sales and marketing department of Harbin Hong Bo Trade Group (哈爾濱紅博商貿集團) from 1999 to 2003 and she was promoted as the head of both departments in early 2003. Ms. Li graduated from Harbin Polytechnic University (哈爾濱理工大學) with a college degree in business administration in 1995.

Mr. ZHENG Yuchun (鄭育淳) is a deputy general manager of our investments and operations department. Mr. Zheng joined us in 2008 and has over 10 years of experience in investment. Prior to joining us, he was engaged in the functions of analysis, investment and management in several investment banks and investment companies in mainland China and Hong Kong, including senior vice president and chief financial officer of Sun Media Investment Group (陽光媒體投資集團). Mr. Zheng was an independent director of Shenzhen Tonge (Group) Company Ltd (深圳市天健(集團)股份有限公司) (listed in the Shenzhen Stock Exchange) from August 2004 to November 2009. Mr. Zheng graduated from the department of physics of Peking University in 1989 with a bachelor's degree in science, and graduated from the school of management of Harbin Institute of Technology in 1999 with a master's degree in business administration. He also graduated from the school of economics and finance of University of Hong Kong in 2004 and obtained a doctor's degree in finance. Mr. Zheng is a member of the CFA Institute and a member of the Hong Kong Society of Financial Analysts.

Mr. SONG Lei (宋磊) is a deputy general manager of our business management department. Mr. Song joined Renhe Group in 2002 and has over 12 years of experience in business management. Since 2002, he has been appointed as a deputy general manager of business management department of Renhe Group and assumed an important role in the sales and marketing of the project at its inception. Prior to joining our group, Mr. Song was a deputy general manager of business management department of Harbin Manhattan Multi-Line Group (哈爾濱曼哈頓多元集團有限公司) from 1997 to 2002. Mr. Song graduated from Beijing University (correspondence course/函授課程) with a bachelor's degree in investment management in 1999.

Ms. ZHANG Guiru (張桂茹) is a deputy general manager of our business management department. Ms. Zhang joined Renhe Group in 2003 and has over 11 years of experience in business management. Ms. Zhang has been appointed as a general director of Harbin Century in 2003 and is primarily responsible in management of the business of Harbin Century. She had worked at Hong Bo Center (紅博廣場) since 1997 and was appointed as the head of business management department of Hong Bo Center (紅博廣場) in 2003. Ms. Zhang graduated from Heilongjiang University with a bachelor's degree in computer software (計算機軟件) in 1994.

Ms. QU Zhenping (曲振平), age 38, is a deputy general manager of our business management department. Ms. Qu joined Renhe Group in 1996 and has over 13 years of experience in building management and sales of shopping mall units. From 1999 to 2000, she was the head of business management department and sales department of Harbin Renhe. From 2000 to 2003, she was an assistant to the general manager of Harbin Renhe. From 2003 to 2004, she was appointed as a general manager of Harbin Baorong. Since 2004, she has been a general manager of both Harbin Renhe and Harbin Baorong. Prior to joining Renhe Group, she worked at the business administration and sales department of Manhattan Commercial Building (曼哈頓商廈) from 1996 to 1999. Ms. Qu graduated from Northwest Institute of Light Industry (西北輕工業學院) with a bachelor's degree in material engineering in 1994.

Ms. JIN Ling (金玲) is an assistant to the general manager of our business management department. Ms. Jin joined Renhe Group in 2005 and has over 10 years of experience in business management. In 2005, she was appointed as a deputy general manager of business administration and human resource department of Renhe Group. Prior to joining Renhe group, she was the head of the export department and trading department of a medical company in the PRC from 1999 to 2002. From 2004 to 2005, she was a head of the office of Harbin Gong Da Group Co., Ltd. (哈爾濱工大集團股份有限公司). Ms. Jin graduated from Heilongjiang Chinese Medicines University (黑龍江中醫藥大學) with a bachelor's degree in Chinese medicines in 1993.

Ms. YAO Zhiyun (姚志雲) is a deputy general manager of our finance department. Ms. Yao joined Renhe Group in 2001 and has over eight years of experience in the field of accounting and finance. Since 2001, Ms. Yao has been appointed as the head of the finance department of Renhe Group and is equipped with skills in operation analysis, cost control, tax planning and other financial management related tasks. Ms. Yao was qualified as a senior accountant in 2002 by Heilongjiang Province Government (黑龍江省人事廳). Ms. Yao graduated from Shenyang Industrial University (瀋陽工業大學) with a bachelor's degree in accounting in 1998.

Ms. YANG Yuhua (楊玉華) is a deputy general manager of our finance department. Ms. Yang joined Renhe Group in 2006 and has over 15 years of experience in the field of investment. In 2006, she was appointed as a deputy head of the finance department of Renhe Group, overseeing our investments and operations. Prior to joining Renhe Group, Ms. Yang worked at the Inner Mongolia branch office of Industrial and Commercial Bank of China (中國工商銀行) from 1983 to 2001, being responsible for financial planning and credit loans services. From 2001 to 2006, she was appointed as a deputy manager and senior investment manager at the investment banking division of New China Life Insurance Holdings Company Limited (新華人壽保險股份有限公司). Ms. Yang graduated from Xi'an Jiaotong University (西安交通大學) in 1999 with a bachelor's degree in finance.

Company Secretary and Qualified Accountant

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, age 46, is our chief financial officer, qualified accountant and company secretary. His biographical details are set out above under the paragraph headed "Senior Management."

Board Committees

Audit Committee

We established an audit committee pursuant to a resolution of the directors passed on August 25, 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duty of the audit committee is to review and supervise the financial reporting process and our internal control systems and that of our subsidiaries. The audit committee consists of Mr. Fan Ren-Da Anthony, Mr. Wang Shengli and Mr. Wang Yifu (being independent non-executive directors). The audit committee is chaired by Mr. Fan Ren-Da Anthony, an independent non-executive director.

Remuneration Committee

We established a remuneration committee on August 25, 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duties of the remuneration committee include making recommendations to the Board on our structure and policy for remuneration of directors and senior management, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. The remuneration committee consists of Mr. Dai Yongge, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive directors. The remuneration committee is chaired by Mr. Wang Shengli, our independent non- executive director.

Nomination Committee

We established a nomination committee on August 25, 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duties of the nomination committee include, without limitation, reviewing the structure, size and composition of the board of directors, assessing the independence of independent non-executive directors and making recommendation to the board on matters relating to the appointment of directors. The nomination committee consists of Mr. Dai Yongge, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive directors. The nomination committee is chaired by Mr. Wang Shengli, our independent non-executive director.

Share Option Scheme

We have conditionally adopted the Share Option Scheme on August 25, 2008, which took effect on October 22, 2008 upon the fulfillment of the prescribed conditions. The purpose of the Share Option Scheme is to provide an incentive for participants to work with commitment towards enhancing our value and the value of our shares for the benefit of our shareholders and to retain and attract calibres and working partners whose contribution are or may be beneficial to our growth and development and that of our subsidiaries. The principal terms of this scheme are set forth below.

Participants. (i) Any director (executive or non-executive, including independent non-executive directors) or employee (whether full time or part time), our subsidiaries or any entity in which we or any of its subsidiaries holds an equity interest; and (ii) any such other persons (including but not limited to supplier, customer, consultant, adviser, contractor, business partner or service provider of us, our subsidiaries or any entity in which we or any of our subsidiaries holds an equity interest) who in the absolute discretion of the Board has contributed or will contribute to the Company and its subsidiaries, are eligible to participate.

Life of the Scheme. 10 years from the effective date.

Size of the Scheme. Unless further approved by our shareholders in general meeting, the aggregate number of shares that may be issued or issuable under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 2,000,000,000 shares.

Maximum Number of Shares Issued pursuant to Options. The maximum number of shares which we may issue upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed such number of shares as shall represent 30% of the shares in issue from time to time.

Subscription Price. The subscription price shall, subject to certain limitations, be determined by the Board in its sole and absolute discretion.

Amendment of the Scheme. Any amendment to the scheme must be approved by the majority of the Board or the scheme administrator, provided that certain amendments as specified under the scheme will require a resolution of the shareholders in general meeting or the super majority consent from the grantees.

Termination of the Scheme. We may at any time terminate the scheme by resolution of the Board or resolution of our shareholders in general meeting and in such event no further options will be offered. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the scheme.

Acceptance of Options. The grant of options shall be accepted within five business days from the offer.

On February 8, 2010, we granted to certain directors and employees of us and our subsidiary options to subscribe, in aggregate, up to 1,100,000,000 ordinary shares of us.

Management Incentive Scheme

In order to reward and motivate our employees as part of our retention program, our Controlling Shareholders, through their wholly-owned subsidiary Wealthy Aim Holdings Limited, implemented a management incentive scheme as of April 15, 2008. The principal terms of this arrangement are set forth below.

Participants. 143 individuals comprising our employees and that of our subsidiaries and other selected individuals who have made contributions to the Company and its subsidiaries.

Rights Offered. A right to purchase from Wealthy Aim Holdings Limited in respect of 935,000,000 of our shares in aggregate, representing approximately 4.68% of our then issued share capital.

Vesting Schedule. The right is exercisable as to 50% for the first year, 30% for the second year and the remaining 20% for the third year over a period of three years commencing on April 22, 2009, the expiry date of the 6-month period following the listing of our shares on the Hong Kong Stock Exchange.

Exercise Price. HK$1.34 per share.

As of the date of this offering memorandum, 119 right holders have exercised rights to purchase 399,965,300 shares.

Compensation of Directors and Senior Management

Our executive directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits in kind, including our contribution to the pension scheme for our executive directors, according to the PRC law. We determine our directors' (including independent non-executive directors) salaries based on each director's qualification, position and seniority. Having considered the additional responsibilities of a director for managing a listed company, the remuneration of our executive directors has been increased following our initial public offering. In addition to salaries, our directors may receive year-end bonuses or options under the Share Option Scheme.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which was paid to our directors for the years ended December 31, 2007, 2008 and 2009 was RMB962,000, RMB43,531,000 and RMB104,205,000, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which was paid to our five highest paid individuals for the years ended December 31, 2007, 2008 and 2009 was RMB974,000, RMB42,374,000 and RMB102,728,000, respectively.

Directors' Interest in Securities

As of December 31, 2009, the interests and short positions, if any, of each director and senior management of us or any of our associated corporations (including interests and short positions which the directors and senior management were taken or deemed to have) were as follows:

Name of director	Capacity	Number of issued shares/underlying shares/ nature of interest(1)	Approximate percentage of interest in the Company
Mrs. Hawken Xiu Li(2)	Interest in controlled corporations	12,417,125,217 (L)	56.44%
	Interest in controlled corporations	2,227,856,122 (S)(3)	10.13%
Mr. Dai Yongge	Beneficial owner	51,000,000 (L)(4)	0.23%
	Interest in controlled corporation	51,000,000 (L)	0.23%
Mr. Zhang Dabin	Beneficial owner	34,000,000 (L)(4)	0.15%
	Interest in controlled corporation	34,000,000 (L)	0.15%
Mr. Wang Hongfang	Beneficial owner	42,500,000 (L)(4)	0.19%
	Interest in controlled corporation	42,500,000 (L)	0.19%
Mr. Wang Chunrong	Beneficial owner	34,000,000 (L)(4)	0.15%
	Interest in controlled corporation	34,000,000 (L)	0.15%
Mr. Wang Luding	Beneficial owner	34,000,000 (L)(4)	0.15%
	Interest in controlled corporation	34,000,000 (L)	0.15%
Mrs. Zhang Xingmei	Interest of spouse	102,000,000 (L)(5)	0.46%

Notes:

(1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.

(2) Mrs. Hawken Xiu Li is deemed to be interested in such shares held through controlled corporations including Super Brilliant Investments Limited and Wealthy Aim Holdings Limited ("Wealthy Aim").

(3) This represents the number of shares in respect of which Wealthy Aim, a controlled corporation of Mrs. Hawken Xiu Li, has granted purchase rights to certain of our employees and other selected individuals to acquire shares of us subject to certain terms and conditions.

(4) These interests are interests under the purchase rights granted by Wealthy Aim as referred to in Note (3) above.

(5) Mrs. Zhang Xingmei is deemed to be interested in rights to purchase these shares which are granted to her spouse, Mr. Dai Yongge.

Related Party Transactions

Office Lease

Pursuant to a lease agreement dated December 30, 2007 (as renewed subsequently on January 1, 2009 and January 1, 2010, respectively) entered into between Harbin Jurong New Energy Co., Ltd. (in which Mr. Dai Yongge and Mrs. Zhang Xingmei, our directors, effectively control in aggregate over 50% of the equity interests) and Harbin 1 Renhe, Harbin Jurong agreed to lease to us an office premises of approximately 1,931 sq.m. located at 哈爾濱市南崗區美順街29號 (29 Mei Shun Street, Nan Gang District, Harbin, Heilongjiang Province, the PRC) for a term commencing from January 1, 2010 to December 31, 2010 at a fixed annual rental of RMB800,000, which was determined with reference to an independent valuation.

Shop Unit Leases

We lease certain shop units to certain associates of Mr. Dai Yongge in respect of shop units occupying an aggregate area of approximately 87.46 sq.m. at an aggregate annual rental of approximately RMB384,600. The aggregate annual rental for shop lease(s) to associates of Mr. Dai for each of the three years ended December 31, 2007, 2008 and 2009 was approximately RMB267,000, RMB397,000 and RMB280,000 respectively.

We lease a corridor shop stall to Ms. Wang Chunrong, our executive director, at an annual rental of approximately RMB19,000. The aggregate annual rental for shop lease(s) to Ms. Wang Chunrong for each of the three years ended December 31, 2007, 2008 and 2009 was approximately RMB19,000, RMB19,000 and RMB17,000 respectively.

All these leases were entered into by us or our subsidiaries in the ordinary course of its business and at prices substantially the same as market rate.

Trademark License Agreement

Pursuant to a trademark license agreement dated August 25, 2008 entered into between Renhe Group and us, Renhe Group granted to us an exclusive, royalty-free licence to use the "地壹大道" and trademarks, with an obligation to transfer the registration and ownership in those trademark classes relevant to our business to us for RMB1.00 upon the approval of the registration application of the trademarks. As of the date of this offering memorandum, the "地壹大道" and trademarks have been successfully registered and the relevant classes. During the term of the licence, we have the right to sub-license the use of the trademarks to any of our subsidiaries.

Substantial Shareholders

Our substantial shareholders and their respective shareholdings in our company as of December 31, 2009 are set out below:

Shareholder	Capacity	Number of Shares/ Nature of Interest[(1) (2)]	Approximate percentage of interest in the Company
Super Brilliant Investments Limited ("Super Brilliant")	Beneficial owner	11,856,907,217 (L)	53.90%
	Beneficial owner	1,667,638,122 (S)	7.58%
	Interest in a controlled corporation	560,218,000 (L)[(3)]	2.55%
	Interest in a controlled corporation	560,218,000 (S)[(3)]	2.55%
Shining Hill Investments Limited ("Shining Hill")[(4)]	Interest in a controlled corporation	12,417,125,217 (L)	56.44%
	Interest in a controlled corporation	2,227,856,122 (S)	10.13%
Mrs. Hawken Xiu Li[(5)]	Interest in a controlled corporation	12,417,125,217 (L)	56.44%
	Interest in a controlled corporation	2,227,856,122 (S)[(3)]	10.13%
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")[(6)]	Interest in a controlled corporation	1,571,606,964 (L)	7.14%
Centennial Success Limited ("Centennial")[(7) (8)]	Interest in a controlled corporation	1,571,606,964 (L)	7.14%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) The letter "S" denotes the person's short position in such shares.

(3) This represents the number of shares in respect of which Wealthy Aim Holdings Limited ("Wealthy Aim"), a controlled corporation of Mrs. Hawken Xiu Li, has granted purchase rights to certain of our employees and other selected individuals to acquire shares of us subject to certain terms and conditions.

(4) Ms. Hawken Xiu Li is interested in the entire issued share capital of Shining Hill, which in turn is interested in the entire issued share capital of Super Brilliant. Therefore, Mrs. Hawken and Shining Hill are deemed to be interested in the shares beneficially owned by Super Brilliant.

(5) Ms. Hawken Xiu Li is deemed to be interested in such shares held through controlled corporations including Super Brilliant and Wealthy Aim.

(6) CYTFH holds a 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested in by Centennial.

(7) Centennial holds a 100% interest in each of Chow Tai Fook Enterprises Limited ("CTF") and Fast Flow Investments Limited, and is accordingly deemed to have an interest in the shares interested in or deemed to be interested in by CTF and Fash Flow Investments Limited.

(8) CTF, together with its subsidiaries, is interested in more than one-third of the shares in New World Development Company Limited and is accordingly deemed to have an interest in the shares interested in by or deemed to be interested in by New World Development Company Limited. New World Development Company Limited is deemed to have an interest in the shares held by its indirect subsidiaries Elite Wealth Investment Limited, Vivid China Investment Limited and Skybird International Limited.

Pre-IPO Investment and Share Adjustment Arrangement

Eleven pre-IPO investors, including, among others, Elite Wealth Investment Limited and Capital International Private Equity Fund V, L.P., invested in the Company in December 2007 and January 2008 by purchasing from Super Brilliant an aggregate of 18.87% of then issued shares of the Company, which represented 16.04% of our aggregate number of shares immediately after the IPO in October

2008. In connection with these investments, Super Brilliant has agreed (and Mrs. Hawken Xiu Li and Mr. Dai Yongge have agreed to procure Super Brilliant) to transfer a number of our additional shares to each of the pre-IPO investors ("Share Adjustment") if:

- we fail to meet any or both of the performances targets for the years ending December 31, 2008 and December 31, 2009 of audited consolidated net profits (but excluding items such as gains, losses, income or expenses which are non-recurring or derived from disposed or discontinued operations; insurance or indemnification proceed, revaluation of properties ("Adjusted Profit," as defined) of RMB1.6 billion and RMB3.2 billion, respectively. The number of such additional shares shall represent the difference between (A) such number of shares as was acquired by a pre-IPO investor through the investment ("Investment Shares") still held by that pre-IPO investor as at December 31, 2008 or December 31, 2009, as the case may be, and (B) a figure calculated by multiplying (i) the performance target for the relevant year as a fraction of the Adjusted Profit for the relevant year; by (ii) the number of Investment Shares still held by that pre-IPO investor as at December 31, 2008 or December 31, 2009, as the case may be (the "Profit Adjustments"). Any such transfers shall be made for a consideration of US$1.00 based on the relative shareholdings of each pre-IPO investor. The ratio upon which the precise number of Shares to be transferred (if any) is calculated, increases as the amount of shortfall (if any) of the final Adjusted Profits achieved for the relevant year compared to the performance target set for that year, increases;

- as at December 31, 2009, the aggregate sum of (a) the space of the properties leased at arm's length by us to de facto unaffiliated third parties, (b) the space of the properties (the operation rights of which) sold (or transferred) at arm's length by us to unaffiliated third parties following the investments, (c) the space of the properties available for lease by us, and (d) the space of the properties (the operation rights of which) available for sale (or transfer) (provided, however, that no portion of any floor space shall be counted more than once in the foregoing calculation (such sum, the "Completed Space")) is below 550,000 sq.m. The number of such additional shares shall be determined by reference to a prescribed formula based around the difference between the Completed Space achieved by us at the relevant date and the above-mentioned Completed Space target (the "Completed Space Adjustment"). Any such transfers shall be made for a consideration of US$1.00 based on the relative shareholdings of each pre-IPO investor; and

- the RMB equivalent of the final offer price per shares under the investments is less than a price which would provide each pre-IPO investor with an annual internal rate of return ("IRR") of at least 20% and 1.35 times return of capital of the funding. The number of such additional shares shall be determined such that each pre-IPO investor will achieve an IRR of at least 20% and 1.35 times return of capital of the funding (calculated based on the offer price) and such a transfer shall be made for a total consideration of US$1.00 (the "QIPO Threshold Adjustment" and, together with the Profit Adjustments and the Completed Space Adjustment, the "Share Adjustments").

In the event that some or all of the Share Adjustments are triggered, the maximum aggregate number of additional shares to be transferred from Super Brilliant to the relevant pre-IPO investors pursuant to such Share Adjustments (if any) is capped, such that (assuming all else remaining equal) the Share Adjustments will not cause Super Brilliant to cease holding more than 30% of our share while no single pre-IPO investor (or group of related pre-IPO investors in aggregate) shall hold 30% or more of our issued share capital following the maximum Share Adjustments (assuming all else remaining equal). The relevant investment agreements did not require any change to our key senior management or that of our subsidiaries solely as a result of the Share Adjustments. As of the date of this offering memorandum, Super Brilliant has transferred an aggregate of 1,486,136,081 of our shares to the pre-IPO investors in accordance with the Share Adjustments.