You should carefully consider all of the information in this prospectus including the risks and uncertainties described below and the Accountant's Report included in Appendix I to this prospectus before making an investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, see "Summary of Principal Legal and Regulatory Provisions" in Appendix V to this prospectus.

RISKS RELATING TO OUR BUSINESS

We depend heavily on the performance of the property market in the PRC, particularly in Tianjin, Beijing, Chongqing, Wuxi and Suzhou

We engage in property development in various cities in the PRC. We currently have five projects in Tianjin, two projects in Beijing, two projects in Chongqing, three projects in Wuxi and one project in Suzhou, which accounted for 18.3%, 7.3%, 36.1%, 36.7% and 1.6%, respectively, of our Landbank as of June 30, 2010. Our success is dependent largely on the performance of the property market in the PRC, particularly in our target markets of Tianjin, Beijing, Chongqing, Wuxi and Suzhou. Any property market downturn in the PRC in general or in the cities in which we have property developments could materially adversely affect our business, results of operations and financial condition.

Since the second half of 2008, the property sector in the PRC experienced a substantial downturn with significant decreases in property sales and investments in property development as well as stagnation, or even decreases in certain cities, in property prices, primarily as a result of the adverse impact of the global financial crisis and the economic downturn and decline in consumer confidence in China. See "Industry Overview." This market downturn had adversely affected our ability to sell or pre-sell our properties at higher prices as we experienced dampening of demand for our properties. In addition, while such market conditions had not had any material adverse impact on the progress of our construction activities or the schedule of delivery of our properties, in order to lower our risks of over-supply and to help support the capital value of our projects, we made certain downward adjustments to the planned GFA with respect to which we anticipated to commence construction in 2008. We also incurred a net loss from fair value of investment properties of RMB25.9 million for the year ended December 31, 2008, primarily as a result of a decrease in fair value of our investment properties at the Magnetic Capital project. As a result of the economic stimulus measures implemented by the PRC Government beginning in late 2008, in particular those specifically aiming to stimulate the growth of the property sector in China, the recent property market conditions have significantly improved. However, it is uncertain whether and how long such improvement could be sustained in the future. Moreover, although the property market in the PRC had generally grown rapidly in prior years primarily due to the significant underlying demand for private residential and commercial properties, such growth is often coupled with volatility in market conditions and fluctuations in property prices.

We cannot assure you that the property market in the PRC will grow at historical rates, or at all, or that we will be able to benefit from the future growth, if any, of the property market in the PRC in general or in any of our target cities. It is not possible to predict with certainty whether property demand in the PRC will continue to grow in the future, as many social, political, economic, legal and other factors may affect the development of the property market. For example, any reduction in activity in the secondary market for private residential properties and any limitation in the availability of mortgage loans to property purchasers in the PRC may inhibit demand for residential and commercial properties. In addition, the growth of the property market in the PRC will continue to be affected by economic, monetary, fiscal or other policies and measures of the PRC Government. If economic conditions in the PRC deteriorate as a result of a prolonged global economic downturn or otherwise, if the PRC Government implements macro-economic control or other measures that aim to curtail, or have the effect of curtailing, property demand or property development in China, or if we fail to respond to changes in market conditions and government policies, in particular those related to our target markets, in a timely manner, our business, results of operations and financial condition would be materially and adversely affected. See also "– Risks Relating to Property Development in the PRC – The PRC Government may adopt measures to slow down the property development sector's rate of growth in the future."

We maintain a substantial level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations

The property development business is capital intensive. It typically requires substantial capital outlays for land acquisition and property development and may take months or years before a cash inflow, if any, can be generated by the pre-sale or sale of a completed property development. In addition, we engage selectively in primary land development projects, which also require significant capital outlays. We cannot assure you that we will be able to achieve or maintain a net cash inflow from operating activities in the future, and any decline or under-performance of our pre-sales or sales, and any other matter adversely impacting our net cash outflow, could adversely affect our cash flow position.

In order to finance our capital intensive business, we have maintained a substantial level of indebtedness, of which a large amount is secured by certain of our properties and land use rights held. Our total borrowings, including current and non-current borrowings, as of December 31, 2007, 2008, 2009 and March 31, 2010 were RMB2,517.1 million, RMB2,585.1 million, RMB2,671.4 million and RMB3,239.6 million, respectively. As of July 31, 2010, our total borrowings amounted to RMB5,798.4 million, of which RMB909.5 million was due within a period not exceeding one year and RMB4,888.9 million was due within a period of more than one year. For more information on our indebtedness and collateral, see "Financial Information – Liquidity and Capital Resources." We cannot assure you that we will be able to obtain bank loans or renew existing credit facilities in the future on terms acceptable to us or at all. Our ability to do so will depend on a number of factors, many of which are beyond our control. The PRC Government has in the past implemented a number of policy initiatives in the financial sector to further tighten lending requirements in general and in particular for property developers, which, among other things:

- increased the reserve requirement ratio for deposit-taking financial institutions (which represents the minimum amount of funds that such institutions must hold in reserve with the PBOC against deposits made by their customers) by a total of 1.5% since the beginning of 2010;

- forbid PRC commercial banks from granting loans to property developers for funding the payments of land grant fees;

- forbid PRC commercial banks from granting loans to a property developer if the property developer's internal funds available for the relevant project are less than 20% of the total estimated capital required for such project;

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

- prohibit the grant of new project loans to property developers that leave land parcels idle or are engaged in land speculation;

- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;

- prohibit property developers from financing property developments with loans obtained from banks in regions outside the location of the relevant property developments; and

- restrict PRC commercial banks from providing financing for the development of luxury residential properties. As confirmed by our PRC Legal Advisors, the PRC regulations and local regulations applicable in the cities in which we operate do not currently provide for the specific definition of luxury residential property developments. Commercial banks and local government authorities typically consider various aspects of a project, such as the plot ratio of the overall project, when determining whether a project is subject to the restriction. While none of our projects has been categorized by commercial banks or the relevant local government authorities as a luxury residential property development project and we have been able to secure bank borrowings as needed in connection with our project financing, we cannot assure you that we will not be subject to any financing restrictions as a result of a change in regulations or their interpretation or implementation by commercial banks or local government authorities, or otherwise.

We cannot assure you that the PRC Government will not introduce other initiatives which may limit our access to capital. The foregoing and other initiatives introduced by the PRC Government may limit our flexibility and ability to use bank loans or other forms of financing to fund our land acquisitions or property developments and therefore may require us to maintain a relatively high level of internally sourced funds. As a result, our business and financial condition may be materially and adversely affected.

In addition, we cannot assure you that we will have adequate cash flow to service our financing obligations. We have substantial interest obligations for our borrowings, and for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, our interest expense on bank borrowings (including the capitalized portion) was RMB133.3 million, RMB186.1 million, RMB137.6 million and RMB36.5 million, respectively. As of March 31, 2010, the weighted average effective annual interest rate on our borrowings, on average, was 6.18%. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC. The PBOC from time to time adjusts the benchmark lending rates. For example, the PBOC raised the benchmark one-year lending rate six times during 2007, from

6.12% at the beginning of the year to 7.47% as of December 21, 2007. Such benchmark lending rates have been continuously lowered, and the benchmark lending rate for RMB-denominated loans with a one-year term had declined to 5.31% as of December 23, 2008, which is at its lowest level since 2006. However, the PBOC may raise the benchmark lending rate again in order to control the growth rate of the Chinese economy or for other policy objectives. Any increases in interest rates on our bank borrowings, including as a result of interest rate increases by the PBOC, may have a material adverse effect on our financial condition and results of operations. Aside from interest obligations, we have obligations to pay off our current liabilities, which we cannot guarantee will stay below our current assets in the future. If we have net current liabilities in the future, our working capital for the purposes of our operations may be constrained, which will adversely affect our business and results of operations.

The enforcement of regulations on land appreciation tax by the PRC tax authorities may materially and adversely affect our profitability and cash flow position

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例》) effective January 1, 1994, and its implementation rules, all entities and individuals receiving net profits from the sale or transfer of state-owned land use rights, buildings and their attached facilities are required to pay LAT. LAT is levied at progressive rates from 30% to 60%. Under current regulations, local tax authorities can formulate their own implementation rules relating to LAT settlement. We believe we have made sufficient provisions based on our estimates of the full amount of applicable LAT payable in accordance with the requirements set forth in relevant PRC tax laws and regulations, but we only prepay a portion of such provisions each year as required by the local tax authorities. We currently prepay an amount of LAT equal to 1% to 4.5% of the proceeds from pre-sales of our properties in the cities in which we operate. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, we made LAT payments in the amount of RMB28.8 million, RMB35.9 million, RMB53.8 million and RMB16.4 million, respectively, and made LAT provisions in the amount of RMB100.6 million, RMB113.9 million, RMB163.6 million and RMB39.3 million, respectively.

There can be no assurance that our LAT prepayments and provisions will be sufficient to cover our LAT liabilities and that the relevant tax authorities will agree with the basis on which we calculated our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the PRC Government in the future, our financial condition and results of operations would be materially and adversely affected. There are uncertainties as to when the tax authorities will enforce the LAT collection or whether the LAT collection will be applied retrospectively to properties sold before the effective date of the LAT Notice. In addition, the State Administration of Taxation promulgated a notice in May 2010 requiring the LAT prepayment rate as applicable in different provinces and cities to be no less than 2% in East China, no less than 1.5% in Central and Northeast China, and no less than 1% in West China. Subject to increases of the applicable prepayment rates by local tax authorities pursuant to such notice, we may have to prepay LAT at higher rates. These factors could materially and adversely affect our financial condition, results of operations and ability to execute our business plans.

Our operating results are significantly affected by peaks and troughs in our property delivery schedule; they may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during that period and may not be reliable for predicting our future performance

Our results of operations have varied significantly in the past and we expect them to continue to fluctuate significantly from period to period in the future. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, our revenue was RMB3,011.5 million, RMB3,449.5 million, RMB4,795.2 million and RMB245.6 million, respectively, and our profit attributable to equity holders of the Company was RMB174.4 million, RMB495.6 million, RMB825.1 million and RMB44.6 million, respectively. We recognize proceeds from the sale of a property as revenue only upon the delivery of the property. Therefore, our revenue and profit during any given period reflects the quantity of properties delivered during that period and are significantly affected by any peaks or troughs in our property delivery schedule. For example, in 2009, as we delivered a vast majority of our properties in the second half of the year, we derived a substantial portion of our net profit for the year ended December 31, 2009 in the second half of that year. Our operating results may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during the relevant period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers at some time in the past, typically at least in the prior fiscal period. As a result, our operating results for any period are not necessarily indicative of results that may be expected for any future period.

We may not be able to obtain sites that are suitable for property developments at commercially suitable prices or at all

Land prices have increased significantly in the PRC in recent years and may continue to increase in the future. To maintain and grow our business in the future, we will be required to replenish our Landbank with suitable sites at reasonable cost. We have, and expect to maintain, a Landbank sufficient for future development for four to five years. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. The PRC Government controls land supply in the PRC and regulates land sales in the secondary market. As a result, PRC Government policies towards land supply affect our ability to acquire land use rights for sites we identify for development and the costs of any acquisition. The PRC central and local governments may regulate the means by which property developers, including us, obtain land sites for property developments. See "– Risks Relating to Property Development in the PRC – Our business is subject to extensive governmental regulation" and "– Risks Relating to Property Development in the PRC – The PRC Government may adopt measures to slow down the property development sector's rate of growth in the future." In addition, there may not be land available in attractive locations in our target cities for new development or re-development. We cannot assure you that we will be able to identify and acquire sufficient and appropriate sites at reasonable prices, or at all, in the future. Any inability to identify and acquire sufficient and appropriate sites for our land reserves would result in uncertainties in our future development schedules, which in turn would have a material adverse effect on our future growth prospects, profitability and profit margins.

Our business depends on our ability to acquire land at relatively early stages in its long-term appreciation potential

We believe our in-depth understanding of the property market dynamics in the cities in which we have operations may help us identify and capitalize on land acquisition opportunities at relatively early stages in their long-term appreciation potential and therefore at relatively lower costs. However, we cannot assure you that the land we have acquired will appreciate, or that it will not decline, in value. Moreover, we cannot assure you that we will continue to be able to acquire land sites for property development at relatively early stages in their long-term appreciation potential and therefore at relatively low costs or that the market insights and experience of our senior management will continue to enable us to identify and acquire land at attractive prices.

We may not be successful in expanding into new geographic markets or developing new property products

As part of our business strategy going forward, we may consider opportunities to expand our business into new geographic markets or to develop new property products in our current or future target markets. We may also selectively pursue strategic acquisitions of or investments in project companies in our existing or new geographic markets if suitable opportunities arise. Any expansion or acquisition may require a significant amount of capital investment and involve a series of risks, such as those of operating in a new geographic market or developing a new property product in which we have relatively little experience. We may also have to address the challenges of integrating new businesses and the diversion of management's attention and other resources. Our failure to address these risks may have a material adverse effect on our business, financial condition and results of operations.

We are subject to legal and business risks if we fail to obtain or renew our qualification certificates

Property developers in the PRC must obtain a valid qualification certificate in order to engage in property development in the PRC. According to the Provisions on Administration of Qualification Certificates of Property Developers (《房地產開發企業資質管理規定》), newly established developers must first apply for a Temporary Qualification Certificate (《暫定資質證書》), which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued under one of the four grades set forth in the Provisions. Property developers of different grades are subject to different limitations on scale of development in respect of their projects. In reviewing such applications, the relevant authority generally considers the property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the developer's management, and whether the property developer has any illegal or inappropriate operations. Each of our operating subsidiaries and associated project companies that engages in property development in the PRC is responsible for submitting its own application. See "Summary of Principal Legal and Regulatory Provisions – Real Estate Development – Qualifications of a Real Estate Developer" in Appendix V to this prospectus.

If any one of our companies is unable to meet the relevant requirements for obtaining or renewing its qualification certificate, that company will be given a cure period within which it must rectify any insufficiency or non-compliance with such requirements, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of any qualification certificate and the business license of such company. As of the Latest Practicable Date, Chongqing OG had not obtained the Grade I Qualification Certificate for the Chongqing Olympic Garden project, which is required for the development of such project because the aggregate GFA authorized and not yet developed exceeds 250,000 sq.m. There is a risk that the existing qualification certificate and business license of Chongqing OG may be revoked by the relevant PRC government authorities due to its failure to obtain the Grade I Qualification Certificate or otherwise adjust its aggregate GFA under development. Chongqing OG is in the process of applying for the required qualification certificate; however, we cannot assure you that Chongqing OG will be able to obtain the Grade I Qualification Certificate or be able to adjust its aggregate GFA under development to comply with the applicable requirements in a timely manner, or at all. With respect to our other companies, we cannot assure you that we will be able to pass the annual verification of the qualification certificates for each of such companies or that we will be able to obtain formal qualification certificates in a timely manner, or at all, as and when they expire. If Chongqing OG, which accounted for 17.2%, 19.4% 27.0% and 5.2% of our total revenue for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, is required to rectify the situation within a cure period and fails to do so in a timely manner, or at all, or if any of our other companies is unable to obtain or renew its qualification certificate, such companies may not be permitted to continue their business, which could materially and adversely affect our results of operations and financial condition.

We may not be able to obtain the Land Use Right Certificates for certain land parcels held for future development and may be subject to stricter payment terms for land use rights with respect to land we acquire in the future as a result of any additional restrictive regulations promulgated by the PRC

As of the Latest Practicable Date, we held certain properties for which we had entered into land grant contracts but had not yet obtained the Land Use Right Certificates. These properties had a total site area of approximately 115,813 sq.m. and a planned aggregate GFA of approximately 293,968 sq.m., comprising (i) all of the land in the Xingyeli project with a value of RMB2,264.0 million; (ii) certain portion of land in the Swan Lake project with a value of RMB140.5 million; and (iii) certain portion of land in the Yixing project, for which a balance of RMB390.0 million in land grant fee remains outstanding and to which no value has been ascribed by DTZ in the property valuation report included in Appendix IV to this prospectus. There can be no assurance that we will be able to obtain the Land Use Right Certificates with respect to these land parcels in a timely manner, or at all. If we fail to do so, we may not be able to acquire new replacement land on terms acceptable to us, or at all, which would have a material adverse effect on our business, financial condition and results of operations and business prospects going forward.

On September 28, 2007, the Ministry of Land and Resources amended the Regulation on the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》), effective November 1, 2007. This regulation provides, among other things, that property developers must pay the relevant land grant fees in full according to the provisions of the relevant land grant contract for all land parcels under the contract before they can receive the land registration and Land Use Right Certificates. As a result, effective November 1, 2007, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for land registration and a Land Use Right

Certificate for the corresponding portion of land in order to commence development, which has been the past practice in many Chinese cities. On November 18, 2009, five government authorities, including the MOF and the Ministry of Land and Resources, issued the Notice on Further Strengthening the Income and Expenditure Management Relating to Land Grants (《關於進一步加強土地出讓收支管理的通知》) to regulate the management of income and expenditure on land grants and curb excessive increases in land prices. In particular, the notice requires property developers to provide a down payment of no less than 50% of the land grant fee and, generally, to pay the remaining balance in installments within one year. On March 8, 2010, the Ministry of Land and Resources issued the Notice on Further Increasing the Supply and Strengthening the Supervision of Land for Property Development Purposes (《國土資源部關於加強房地產用地供應和監管有關問題的通知》), which reiterates and reinforces certain measures on land supply and land use, such as requiring the execution of a land grant contract within 10 business days of completing the tender, auction or listing-for-sale process. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period. See "Industry Overview – Key Drivers of the PRC Real Estate Industry – PRC Government's real estate policies" and "Appendix V – Summary of Principal Legal and Regulatory Provisions." As a result, property developers, including us, are required to maintain a higher level of working capital and may be restricted in their ability to expand their land reserve as planned. In addition, we cannot assure you that the PRC Government will not adopt any additional regulations to impose stricter payment terms for land acquisition by property developers. If this occurs, our cash flow position, financial condition or business plans could be materially and adversely affected.

Failure of third-party transferors to file asset appraisal reports or go through the listing-for-sale process may affect our business

With respect to transfers of state-owned assets in the PRC, transferors are generally required to file an asset appraisal report with the relevant state-owned assets administration authority and go through the listing-for-sale process as required by the Provisional Measures for the Transfer of State-Owned Property Rights of Enterprises (《企業國有產權轉讓管理暫行辦法》) and the Provisional Measures for the Administration of Assessment of State-Owned Assets of Enterprises (《企業國有資產評估管理暫行辦法》). In the event of a transfer of state-owned assets that does not comply with the applicable PRC laws or regulations, the relevant state-owned assets administration authorities may seek redress against the transferors of the state-owned assets and may also seek nullification of such transfers from a competent court. During the Track Record Period, we purchased equity interests in Chongqing OG and Chunshen Lake, both directly and indirectly, from transferors who are state-owned enterprises. In connection with such transfers, the procedures described above were not followed, for which we were not required to bear any penalty. See "History Reorganization and Group Structure – History – Chongqing OG and – Wuxi Sunac Real Estate" for additional details. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, we had a total net loss of RMB0.3 million, a total net profit of RMB1.6 million, a total net profit of RMB10.0 million and a total net loss of RMB2.0 million, respectively, attributable to such interests, which represented 0.2%, 0.3%, 1.2% and 4.4%, respectively, of the profit attributable to the shareholder of the Company. If the relevant authorities successfully seek to nullify the transfers referred to above, our equity interest in Chongqing OG will decrease from 100.0% to 94.1% and the equity interest in Chunshen Lake held by our subsidiary Wuxi Sunac Real Estate will decrease from 100.0% to 78.0%, which may have a negative impact on the profit attributable to our equity owners and on our cash flow generated from any distributions from these two subsidiaries in the future.

We are currently pursuing the proposed purchases of a 40% equity interest in Chongqing Yuneng and a 40% equity interest in APEV Property Management from Chongqing Yuneng Real Estate for an aggregate cash consideration of RMB320.0 million. Because Chongqing Yuneng Real Estate is a state-owned enterprise, these proposed purchases of equity interests require the filing of asset appraisal reports and the completion of the listing-for-sale process. We cannot assure you of the outcome of the listing-for-sale process, including whether we will be successful in purchasing the equity interests and how much we will be required to pay as the final consideration for such equity interests. The consideration for such purchases may be adjusted by reference to the asset appraisals and will be determined conclusively by the listing-for-sale process. We are currently prepared to and may raise our bidding price to up to RMB330.0 million to compete against any other bids. We will be unable to further raise our bidding price unless we have obtained an approval from our Shareholders. If such equity interests are ultimately purchased by some third parties, we may be exposed to the risk of having disputes with such parties in the development and management of the Asia Pacific Enterprise Valley project or other risks relating to such parties.

Increasing competition in the PRC, particularly in Tianjin, Beijing, Chongqing, Wuxi and Suzhou, may adversely affect our business and financial condition

The property market in the PRC is increasingly competitive. We focus on and compete in developing large-scale, medium to high-end, integrated residential and commercial properties in our target cities including Tianjin, Beijing, Chongqing, Wuxi and Suzhou. Our existing and potential competitors include major domestic state-owned and private developers in the PRC, as well as developers from Hong Kong and elsewhere in the world. A number of our competitors may have greater marketing, financial and technical resources, greater economies of scale, broader name recognition, and more established track records and relationships in certain markets. The intense competition among property developers may result in increased land acquisition costs, increased construction costs and difficulty in obtaining high quality contractors and qualified employees, an oversupply of properties, a decrease in property prices or a slowdown in the rate at which new property developments will be approved or reviewed by the relevant government authorities, any of which may adversely affect our business and financial position. In addition, the property market in the PRC is rapidly changing. If we cannot respond to changes in market conditions more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We are exposed to the augmented risks of large-scale property developments

We focus on large-scale property development projects. Four of our projects have a planned aggregate GFA of above 1 million sq.m. and another two of our projects have a planned aggregate GFA of between 500,000 sq.m. to 1 million sq.m. We are exposed to higher risks because of the higher concentration of capital investment in a small number of large-scale property developments. We cannot give any assurance that any of our existing or future large-scale developments will be successful or that any such development will not encounter difficulties that may adversely affect our business, financial condition and results of operations. Due to the amount of capital required and costs incurred or to be incurred in each development, we are financially exposed and, in the event that any of our existing or future large-scale property developments is unsuccessful, our results of operations may be adversely affected.

We depend on a small number of commercial tenants for our properties held for lease and may not be able to collect rent on time or at all

As of June 30, 2010, we held a total of approximately 90,711 sq.m. rentable GFA in Magnetic Capital and Joy Downtown for lease to commercial tenants. Of this rentable GFA, 44.1% is leased by our five largest commercial tenants, including a supermarket, an appliance retailer, a cinema and two entertainment establishments, which may continue to contribute a significant portion of our rental income. As a result, the financial return on these properties will be materially dependent on the business and financial stability of the relevant tenants, which in turn may be impacted by a number of factors, including general economic conditions, consumer confidence, the level of consumer spending, seasonality and the ability to meet rapidly changing customer demands or tastes.

We may face difficulties in collecting all rental payments or collecting rental payments on time. Any late payment of rent could adversely affect our cash flow and results of operations. In the event of a default, we may incur substantial costs in protecting our investment and re-letting the property. If a lease is terminated, there can be no assurance that we will be able to lease the property for the rent previously received or sell the property without incurring a loss. A default by a tenant or other premature termination of a lease, or a tenant's election not to extend a lease upon its expiration or to seek concessions to continue operations, could have an adverse effect on our financial condition and results of operations. Additionally, major tenant closures may result in decreased customer traffic which could adversely affect the business of our other commercial tenants.

If a tenant declares bankruptcy, we may be unable to collect balances due under the relevant lease. Pursuant to the PRC Enterprise Bankruptcy Law (《中華人民共和國企業破產法》), effective June 1, 2007, if a tenant declares bankruptcy before the rent is paid, the rent becomes an ordinary, unsecured bankruptcy claim that will be paid only after certain priority claims are paid. As a result, our claims for unpaid rent against a bankrupt tenant may not be paid in full. In addition, we would incur time and expense relating to any eviction proceedings and may be unable to collect rent during such proceedings. A tenant or lease guarantor bankruptcy could delay efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums. Such an event could cause a decrease or cessation of rental payments that results in a reduction in our cash flow. In the event of a bankruptcy, we cannot assure you that the relevant tenant or its trustee will assume such a lease. If a given lease, or guaranty of a lease, is not assumed, our cash flow and our results of operations may be adversely affected.

Our profitability may be affected by the annual revaluation of our investment properties required by HKFRS

We hold certain investment properties for lease to commercial tenants. We are required to reassess the fair value of our investment properties upon the completion of any acquisition and on every balance sheet date for which we issue financial statements. Our valuations are and will be based on market prices or alternative valuation methods, such as discounted cash flow analysis based on estimated future cash flows. In accordance with HKFRS, we must recognize changes to the fair value of our property as a gain or loss (as applicable) in our income statements. The recognition of any such gain or loss reflects unrealized capital gains or losses on our investment properties on the relevant balance sheet dates and does not generate any actual cash inflow or outflow. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, we had a net loss from fair value of investment properties of RMB8.9 million, a net loss from fair value of investment properties of RMB25.9 million, a net gain from fair value of investment properties of RMB56.7 million and no change in fair value of investment properties, respectively, representing -1.8%, -3.4%, 4.2% and nil, respectively, of our profit before income tax for the respective periods. The fluctuations in gain or loss from fair value of investment properties during the Track Record Period were primarily attributable to the revaluation of our investment properties at Magnetic Capital, primarily as a result of changes in investment income receivable on such properties, changes in prevailing market conditions and the recategorization of certain completed properties held for sale to investment properties as we decided to change the designated use of such properties. For more information on the changes in gain or loss from fair value of investment properties, see "Financial Information – Description of Certain Income Statement Items – Net gain or loss from fair value of investment properties" and "Financial Information – Consolidated Results of Operations." The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. We cannot assure you that the fair value of our investment properties will not decrease in the future. Any decrease in the fair value of our investment properties will have an adverse effect on our profits.

Investment properties are illiquid and lack alternative uses

Investments in properties, in general, are relatively illiquid compared to many other types of investments. Therefore, our ability to sell one or more of our investment properties in response to changing economic, financial and investment conditions promptly, or at all, is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find a purchaser and to complete the sale of a property currently held or planned to be held for investment purposes. Moreover, should we decide to sell a property subject to a tenancy agreement, we may have to obtain consent from or pay termination fees to our tenant.

In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses generally requires substantial capital expenditures. In particular, we may be required to expend funds to maintain properties, correct defects, or make improvements before a property can be sold and we may not have sufficient funds available for such purposes. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties could adversely affect our ability to retain tenants and to compete against our competitors and therefore may materially and adversely affect our business, financial condition and results of operations.

We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments

We assist our purchasers in arranging various domestic banks to provide mortgages to the purchasers of our properties. In accordance with market practice, domestic banks require us to provide short-term guarantees for these mortgages. Substantially all of these guarantees are discharged upon any of (i) the issuance of the Property Ownership Certificate and the property encumbrance certificate (《房屋他項權證》), which generally takes place within two to three years after we deliver possession of the relevant property to the purchasers; (ii) the settlement of the relevant mortgage loans between banks and purchasers of our properties; or (iii) the completion of advance registration of the mortgage, which is generally conducted when the purchasers apply for mortgage loans. If a purchaser defaults under the mortgage loan and the bank calls on the guarantee, we are required to repay all debt owed by the purchaser to the mortgagee bank under the loan, in which case typically the mortgagee bank will assign to us its rights under the loan and the mortgage and we will have full recourse to the property. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgagee banks, which may not be as extensive as credit checks conducted in other jurisdictions. As of December 31, 2007, 2008 and 2009 and March 31, 2010, we had outstanding guarantees for mortgage loans of our purchasers in the amount of RMB1,081.7 million, RMB1,500.8 million, RMB1,459.7 million and RMB1,058.5 million, respectively.

There can be no assurance that the default rate will not increase significantly in the future. If a default occurs and our relevant guarantee is called upon, our business, results of operations and financial condition may be adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

Mr. Sun, our Controlling Shareholder, is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions; we may be adversely affected by legal proceedings involving Mr. Sun

Immediately after the Global Offering, 51.85% of our outstanding Shares will be beneficially owned by Mr. Sun, our Controlling Shareholder and our Chairman and Chief Executive Officer, assuming that the Over-allotment Option, the Pre-IPO Share Options and the Trustee Option are not exercised. Subject to compliance with applicable laws, by maintaining such ownership, Mr. Sun is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions requiring shareholders' approval, including the election of Directors, the amendment of our Articles of Association, the amount and timing of dividends and other distributions, the acquisition of or merger with another company, the sale of all or substantially all of our assets and other significant corporate actions. In addition, Mr. Sun, in his capacity as Chairman and Chief Executive Officer of our Company, is able to exercise substantial control over the management of our business. The strategic goals and interests of Mr. Sun may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. In situations presenting a conflict of interests, we may be prevented from entering into transactions that could be beneficial to us and our other shareholders. We cannot assure you that Mr. Sun will act in our interests or that conflicts of interests will be resolved in our favor.

In 1995, Mr. Sun established Tianjin Sunco Investment Company Limited, which was engaged in commodity housing development in China, and subsequently established Sunco China and its subsidiaries (collectively, the "Sunco Group"), holding real estate development projects in various cities across the country. In 2003, Mr. Sun directed the Sunco Group to embark on a rapid expansion strategy in light of developments in the PRC property market and in preparation for the Sunco Group's proposed listing on the Stock Exchange in 2004. As a result, the Sunco Group had rapidly increased its landbank and the pace of construction of its projects, both of which required a large amount of capital. However, due to austerity measures implemented in China in late 2004 leading to the market downturn, among other factors, the

Sunco Group's business was adversely affected. Aggravated by the aborted listing plan in late 2004, the Sunco Group's cash flow position deteriorated significantly. This resulted in the Sunco Group's need to raise additional capital to meet its substantial amount of debt obligations and other liabilities in late 2006. Mr. Sun's decision in favor of the Sunco Group's rapid expansion strategy did contribute to the high leverage and tight liquidity of the Sunco Group as a result of the group's adverse cash flow and debt positions. In August 2004, Mr. Sun relinquished his directorship of Sunco China and acted only as its controlling shareholder. The Sunco Group was restructured in 2006 into Sunco A and Sunco B, both held by Sunco China and another company controlled by Mr. Sun, in connection with the disposal of a substantial part of the Sunco Group's assets during the period from 2006 to 2007, while Mr. Sun resumed his directorship of Sunco China in May 2006. In mid 2007, a 94.74% interest in Sunco A was sold to a subsidiary of Road King Infrastructure Limited ("Road King") and other independent third parties. The entire interest in Sunco B was acquired by an independent third party at around the same time, which gave rise to the litigation involving Mr. Sun as described below.

In or around October 2007, Road King, through its non-wholly owned subsidiary at the time, Sunco A, as first plaintiff ("First Plaintiff"), and another party ("Second Plaintiff") initiated civil proceedings in Hong Kong (High Court Action 2145/2007) (the "RK Litigation") against two companies beneficially owned by Mr. Sun, namely, Sunco China as first defendant ("First Defendant") and Sunco Management Holdings Limited as second defendant ("Second Defendant") and Mr. Sun as third defendant. The RK Litigation related to an option agreement dated January 23, 2007 ("Option Agreement") made among First Plaintiff as investor, First Defendant and Second Defendant as the original shareholders of Sunco B and Mr. Sun as guarantor, pursuant to which First Defendant and Second Defendant granted to First Plaintiff the right (the "Option") to request the transfer of all issued shares of Sunco B to First Plaintiff (or a third party nominated by First Plaintiff) at an agreed exercise price. The amount sought was approximately RMB614 million (or alternatively, damages to be assessed), plus interest and costs. Such claims arose from certain liabilities of Sunco B involving outstanding litigation, unsettled construction costs or claims, unpaid government penalties, and additional tax liability caused by the lack of documents supporting tax deductibles, which the plaintiffs alleged had not been disclosed by First Defendant and Second Defendant. On August 18, 2010, all claims in the RK Litigation were withdrawn and the RK Litigation was dismissed. Mr. Sun and Road King are currently engaging in mediation to resolve their disputes, the results of which are uncertain, and such mediation may divert Mr. Sun's attention to our business and our reputation may be harmed as a result of any negative media reports or otherwise. Furthermore, we cannot assure you that no other legal proceedings will be brought in the future against Mr. Sun or its affiliates by any parties in any manner that may adversely affect our Group.

In August 1992, Mr. Sun, as a former employee of Beijing Legend Computer Group Co. ("Legend"), was convicted by the Haidian District Court of Beijing Municipality of misappropriation of funds in the amount of RMB130,000. The conviction was later overturned in 2003. According to the court ruling in August 1992, the conviction was based upon the transfers of corporate funds of Legend to a third party by Mr. Sun without due authorization, which took place during the period from May 1989 to October 1989 when Mr. Sun was a manager of Legend. Mr. Sun was sentenced to a five-year term of imprisonment and began to serve his sentence in August 1992. He was later granted remission of sentence and was released in March 1994. In October 2003, upon Mr. Sun's appeal, the retrial court held that the conviction was erroneous and found that Mr. Sun's action did not constitute misappropriation of funds due to the absence of any intent from Mr. Sun to derive any personal gain from, or to benefit the third party with, the transfers of funds. Further, the third party had not obtained Mr. Sun's permission or authorization before using the funds for his own personal use and benefit. It also found that Mr. Sun's intention for such transfers of funds was to streamline Legend's branch company operations and that Mr. Sun had requested permission from his supervisor at the time before such transfers of funds. Nonetheless, the retrial court affirmed that Mr. Sun's acts were in breach of Legend's internal financial management system. Although Mr. Sun was erroneously convicted 18 years ago and the conviction has been overturned, any negative views or social stigma on Mr. Sun may still persist, which may negatively affect our business and results of operations.

The property valuation report may materially differ from prices that can be achieved

Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our income statements in the period in which they arise. The valuation of our properties as of June 30, 2010, prepared by DTZ, is contained in the property valuation report included in Appendix IV to this prospectus. The valuations are based upon certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from actual values. With respect to our properties under development and properties held for future development, the valuations are based on the assumptions that (i) the properties will be completed or developed as currently proposed; (ii) regulatory and governmental approvals for the proposals have been or will be obtained without onerous conditions or delays; (iii) unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and any premium payable has already been fully paid; (iv) we have an enforceable title to each of the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted; and (v) unless otherwise stated, the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values. For properties owned by our subsidiaries or associated project companies in which we have an attributable interest of less than 100%, the valuation assumes that our interest in the aggregate capital value of the properties is equal to our proportionate attributable interest in such properties. These valuations are not a prediction of the actual value we may achieve from our properties in a public market transaction as of the date of valuation. Unforeseen changes in a particular property development or in general or local economic conditions, and other factors, could affect the value of our properties.

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 as set forth in the section headed "Directors, Senior Management and Employees – Senior Management." We rely on our senior management team to formulate our business strategies, make decisions on our investment projects and direct the management of our business operations, among other things. Our success has been, to a significant extent, attributable to the continuing efforts and leadership of our senior management team. We may not be able to retain the services of our senior management team or other key personnel, or recruit qualified candidates for new key management positions in the future. If one or more of our key executives 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. In addition, if any of our key executives joins a competitor or forms a competing company, we may lose significant business opportunities, customers and professional staff, which may adversely affect our business, financial condition and results of operations.

Our results of operations may be negatively affected by increases in the cost of construction materials

Construction materials constitute a key driver of the construction costs of our projects. In general, our construction materials costs are included in the contract fee payable to our contractors, who are generally responsible for procuring the required construction materials. Nonetheless, we agree to bear certain of the increased costs when the prices of the construction materials exceed a certain threshold. Due to the rapid growth in the property development industry in recent years in the PRC, construction materials have substantially increased in price. By entering into construction contracts with such price adjustment terms, we seek to reduce our exposure to price fluctuations of construction materials. We believe this will help us limit project cost overruns because we are not required to increase the contract fee or re-negotiate other terms in case of significant price fluctuations of construction materials. However, we cannot assure you that we will continue to be able to enter into contracts with similar pricing terms in the future, which will, in part, be affected by market practices which may be beyond our control. Furthermore, there can be no assurance that our contractors will actually complete their contract performance without any fee adjustment, or at all, or that we can find replacement contractors at the same fee if construction materials continue to increase in price. Should our contractors fail to perform under the fixed price contracts as a result of increases in prices of construction materials or otherwise, we may incur significant litigation costs and replacement costs, which would adversely affect our results of operations. In addition, as it normally takes years to complete a property development project, we often enter into multiple contracts sequentially for different phases or sub-phases of a project, which could have different unit fee because of the price fluctuations of construction materials. If we are unable to pass on any increase in the cost of construction materials to either our contractors or our customers, our results of operations may be adversely affected by the price volatility of construction materials.

We rely on independent contractors

We engage independent contractors to provide various services, including construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. Purchases attributable to our construction contractors account for a significant amount of our costs, and for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, approximately 19.7%, 13.8%, 24.4% and 7.9%, respectively, of our total purchases were attributable to our five largest construction contractors and approximately 6.4%, 4.2%, 6.9% and 2.7%, respectively, of our total purchases were attributable to our largest construction contractor. We generally select contractors through public tenders. We invite selected contractors to tender bids according to their reputation for quality, track record and references, and supervise the construction progress once the contract is awarded. However, we cannot assure you that the services rendered by any of these contractors will always be satisfactory or match our requirements for quality. Moreover, although we have not experienced any material problems of delay or incompletion, we cannot assure you that our properties under development or properties held for future development will be completed on time, or at all. If our contractors cannot deliver satisfactory services due to financial or other difficulties, we might incur additional costs and suffer reputational harm, which may have a material adverse effect on our business, financial condition and results of operations.

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

Property development projects require substantial capital expenditure prior to and during the construction period. The timing and costs involved in completing a development project can be adversely affected by many factors, including:

- delays in obtaining licenses, permits or approvals as required by government authorities;
- provisional government regulations or other requirements;
- relocation of existing site occupants;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- disputes with or delays caused by our contractors or sub-contractors;
- delays in the construction of supporting infrastructure or completing land clearing work by the local government authorities;
- natural disasters, including earthquakes, ice storms and other natural hazards;
- adverse weather conditions; and
- widespread diseases or epidemics, including Severe Acute Respiratory Syndrome, H5N1 flu, H1N1 flu and other diseases.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may result in increased costs, harm to our reputation, loss of or delay in recognizing revenues and lower returns. If a pre-sold property development is not completed on time, the purchasers of the pre-sold units may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may even be entitled to terminate the pre-sale agreements and claim damages. In 2007, we incurred compensation expenses of RMB59.5 million for our delayed delivery of properties primarily for the Mind-Land International and Magnetic Capital projects due primarily to (i) interruptions to our construction schedules caused by former occupants of the sites who sought additional resettlement compensation from the local government, and (ii) delays in the government's completion of the permanent public utilities infrastructure for our projects. As of the Latest Practicable Date, we had not encountered any other material construction delays or failure to complete the construction of a project on time. However, we cannot assure you that we will not experience any significant delays in completion or delivery in the future or that we will not be subject to any liabilities for any such delays.

In addition, we have failed to meet the stipulated deadlines for commencing construction for the Suzhou 81 and Xishan Yihaoyuan projects. See "Business – Compliance" for more information. There can be no assurance that we will not experience any delays or other issues with respect to any of our projects. Any of these may disrupt our project schedules and result in violation of the applicable land regulations or a breach of the relevant land grant contracts, which could adversely affect our business and operations and subject us to various penalties, including forfeiture of land.

Moreover, further regulatory changes, competition, inability to procure governmental approvals or required changes in project development practice could occur at any stage of the planning and development process. We may not be able to complete projects that we are currently developing or plan to develop and we may find ourselves liable to purchasers of the pre-sold units for losses suffered by them.

We do not have insurance to cover all potential losses and claims

In general, we do not maintain insurance coverage against potential losses or damage with respect to our property developments, whether they are under development or have been completed prior to delivery. Neither do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. Under PRC law, construction companies bear the primary civil liability for personal injuries arising out of their construction work. The owner of a property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. In addition, there are certain types of losses that are currently uninsurable in China, such as losses due to earthquake. Business interruption insurance is also currently unavailable in China. Therefore, while we believe that our practice is in line with the general practice in the PRC property development industry, there may be instances when we will have to internalize losses, damage and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our financial condition and results of operations. If we have to bear any losses, damages and liabilities, whether insurable or not, in the course of our operations, we may not have sufficient funds to cover any such losses, damages or liabilities or to re-develop any property that has been damaged or destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition.

We may be liable to our customers for damages if we fail to assist our customers in obtaining individual Property Ownership Certificates in a timely manner

We are typically required to obtain a general Property Ownership Certificate for each of our completed projects. In addition, we generally have to assist our customers in obtaining their individual Property Ownership Certificates within a specified time frame after the delivery of the property as set forth in the relevant sale and purchase agreements. In general, we elect to specify the deadline for the delivery of the individual Property Ownership Certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes. We are typically required to submit the proofs of certain government approvals, permits and certifications in connection with our property developments, including those evidencing our land use rights and various planning and construction permits, to the local bureau of land and resources and housing administration within 30 days after the receipt of the Certificate of Completion in respect of the relevant properties and apply for the general Property Ownership Certificate in respect of such properties. We are then required to submit, within certain periods after delivery of the properties, the sale and purchase agreements relating to such properties, the identification documents of the purchasers and the proof of payment of deed tax, together with the general Property Ownership Certificate, for the relevant local authority's review and for the issuance of individual Property Ownership Certificates in respect of the properties delivered to our customers. Delays by the various administrative authorities in reviewing and approving the applications involved, among other factors, may affect the timely delivery of the general or individual Property Ownership Certificates. We may be liable to our customers for late delivery of the individual Property Ownership Certificates if we cannot prove that the delays are due to delays in the administrative approval processes or any other reasons beyond our control.

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

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and PRC laws and regulations provide for remedies with respect to any breach of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery pursuant to either their contracts with us or PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim compensation. We cannot assure you of the timely completion or delivery of our projects.

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

We may be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction workers, purchasers and tenants. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. As most of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments.

We were recently involved in the arbitration of certain claims arising from the transfer of a 50% equity interest in Shougang Sunac from Sunco Land to Sunac Zhidi in 2007. As consideration for such transfer, we agreed to pay 50% of our share of the dividends distributable from the East Fairyland project to Sunco Land. However, as of the Latest Practicable Date, we had not received any dividends from the project and therefore had not paid Sunco Land any amount in connection with such transfer. As of March 31, 2010, we estimated the amount of dividends distributable from the entire East Fairyland project to Sunco Land to be approximately RMB135.0 million when the project is completed. We recorded a long-term payable of RMB109.4 million on our consolidated balance sheet as of March 31, 2010 representing our estimate of the present value of such estimated future payable. In its arbitration claim, Sunco Land sought a larger amount than our estimate, which consisted of (i) approximately RMB161.2 million (representing the amount Sunco Land estimated to be its share of the profit from the project), (ii) any additional amount owed to Sunco Land as determined by Shougang Sunac's audited results, and (iii) other costs, fees and damages. While Sunco Land has recently withdrawn the arbitration, Sunac Zhidi and Sunco Land are currently seeking to resolve the disputes with the mediation support of a working group of the Tianjin Municipality. The outcome of such mediation is uncertain, and we may be required to increase our long-term payable or pay part or all of the amount sought by Sunco Land before we receive any dividends attributable to the East Fairyland project. In addition, there can be no assurance that the arbitration will not be re-commenced or that the underlying dispute will not be raised in another forum. Furthermore, we cannot assure you that no other claims or disputes beyond our normal course of business or otherwise will be brought against us in the future. As a result of any such claims or disputes, our management's attention to our business and our reputation may be adversely affected and we may incur substantial liabilities and costs, which may materially and adversely affect our business, results of operations and financial condition.

Any failure to protect our brand, trademarks and other intellectual property rights could have a negative impact on our business

We believe our brand, trademarks and other intellectual property are integral to our success. Our brand has gained significant recognition in the PRC and we have received several industry awards. We believe the success of our business depends in part on our continued ability to use and promote our brand and trademarks. We have licensed to two commercial property management companies that were previously owned by Sunac Property Management the right to use certain of our trademarks. While we rely on the intellectual property laws in the PRC to protect our intellectual property, any unauthorized use of such intellectual property could adversely affect our business and reputation. Monitoring and preventing the unauthorized use of our intellectual property is difficult. The measures we take to protect our brand, trademarks and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving and if we are unable to adequately protect our brand, trademarks and other intellectual property, we may lose these rights and our business may suffer materially.

We submitted an application on September 14, 2010 to the Trade Marks Registry of the Intellectual Property Department of the Government of Hong Kong for registration of our Company's logo included on the cover of this prospectus as a trademark. As of the Latest Practicable Date, the registration of such trademark had not yet been approved by the Trade Marks Registry and we had not received any notice of objection to the registration of the trademark from any other third party. However, there can be no assurance that the use of such logo by the Company will not infringe the intellectual property rights of any third party or otherwise violate any laws of Hong Kong. Any liability claim in relation to the use of such logo by the Company made or threatened to be made against us in the future, regardless of its merits, could result in costly litigation and strain our administrative and financial 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 the environment and public health. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition and the present and former uses of the site and adjoining properties. Environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas. In addition, under PRC law, each of our projects is required to undergo environmental assessments, and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before the commencement of construction. We cannot assure you that we will satisfy the environmental assessments for each, or any, of our projects in the future. 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, or that there are material environmental liabilities of which we are unaware. See "Business – Environmental Matters."

RISKS RELATING TO OUR GROUP STRUCTURE

Disputes with other shareholders in our non-wholly owned subsidiaries or associated project companies may adversely affect our business

We engage in certain property development projects jointly with other companies through certain non-wholly owned subsidiaries or associated project companies. We may continue to develop some or all of our future projects through such arrangements, which nonetheless may involve a number of risks. For example, other shareholders in our non-wholly owned subsidiaries or associated project companies may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements, shareholder agreements or other related agreements, including their obligation to make the required capital contributions; or
- have financial difficulties.

A serious dispute with other shareholders, or the early termination of our jointly developed projects or early dissolution of our jointly owned companies, could adversely affect our business, financial condition and results of operations. If a situation arises in which we cannot complete a project jointly developed with other companies due to one of the above reasons or otherwise, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture agreements, shareholder agreements or other related agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, we may need to engage in litigation or alternative dispute resolution such as arbitration, which may have an adverse effect on our business, results of operations and financial condition. In the event that we encounter any of the foregoing problems, our business operations, profitability and prospects may be materially and adversely affected.

We are financially dependent on the distribution of dividends from our subsidiaries and associated project companies, and we cannot assure you that dividends of any amount will be declared or distributed in any year

Our Company is a holding company incorporated in the Cayman Islands and our core business operations are conducted through certain operating subsidiaries and associated project companies in the PRC that our Company indirectly holds through our six WFOEs. Under PRC regulations, foreign-invested companies in the PRC may distribute after-tax profits to their shareholders only after they have made appropriate contributions to the relevant statutory funds. For each of our WFOEs, after-tax profits may not be distributed to our Company unless such WFOE has already contributed to its staff and workers' bonus and welfare fund at a percentage that is decided by its board of directors and to its reserve fund at a rate of no less than 10% of its net profit. Each of our WFOEs is required to continue making contributions to its reserve fund until such fund reaches 50% of its registered capital. The reserve fund is not distributable as cash dividends. In addition, in connection with the second round financing in November 2007 as further described in "History, Reorganization and Group Structure," each of our WFOEs, Sunac Zhidi, Chongqing OG, Sunac Ao Cheng and Tianjin Xiangchi has been restricted from distributing dividends for a certain period. Assuming the Global Offering constitutes a Qualified IPO or a Deemed-QIPO and all Exchangeable Bonds are exchanged into Shares, all such restrictions on dividend distribution would be released upon the completion of the Global Offering and the completion of applicable filing procedures in the PRC. Furthermore, restrictive covenants in bank credit facilities, joint venture agreements or other agreements that we may enter into in the future may also restrict the ability of our wholly or partially owned companies to make contributions to us and our ability to receive distributions. These restrictions could reduce the amounts of distributions that our Company receives from our operating subsidiaries or associated project companies, which would restrict our ability to fund our operations, generate income and pay dividends.

In addition, our Company is only allowed to pay dividends out of our profit, in accordance with the Companies Law, or from any reserves set aside from profits which our Directors determine are no longer needed. Our dividend declaration is subject to the discretion of our Directors and our ability to pay dividends will depend on our general business conditions, financial results, capital requirements, interests of our Shareholders and any other factors which our Directors may deem relevant. The amount of dividends actually distributed is subject to the approval of our Shareholders. See "Financial Information – Dividends and Distributable Reserves." There can be no assurance that dividends will be distributed in any particular form or at all in any year.

Under PRC tax law, dividends from our subsidiaries and associated project companies in the PRC may be subject to withholding tax or we may be subject to PRC tax on our worldwide income

Under the PRC tax laws effective prior to January 1, 2008, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends distributed to our Company from our subsidiaries and associated project companies in the PRC, were exempted from PRC withholding tax. In 2007, the PRC Government adopted its new Corporate Income Tax Law and the related implementation rules, which became effective on January 1, 2008. Under such income tax law and its implementation rules, all domestic companies are subject to a uniform corporate income tax at the rate of 25% and dividends from PRC companies to their foreign shareholders are subject to a withholding tax generally at a rate of 10%.Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5% if a Hong Kong resident enterprise owns over 25% of a PRC company. Certain of our PRC subsidiaries are currently wholly owned by our Hong Kong subsidiaries. However, according to the Notice of the State Administration of Taxation on Publishing the Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (Trial) (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 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 can be 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 relevant PRC subsidiaries.

In addition, under the new PRC tax law, enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore be subject to PRC corporate income tax at the rate of 25% on their worldwide income. Dividends from PRC companies to their foreign shareholders which are also qualified PRC tax residents are excluded from such taxable worldwide income. Under the implementation rules of the Corporate Income Tax Law, "de facto management bodies" are defined as the bodies that have material and overall management and control over the production, business, personnel, accounts and properties of the enterprise. As a majority of the members of our management team continue to be located in China after the effective date of the new PRC tax law, we may be treated as a PRC resident enterprise for corporate income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on how local tax authorities apply or enforce the Corporate Income Tax Law or its implementation rules. See also "– Dividends payable by us to our foreign investors and gain on the sale of our Shares may be subject to PRC tax" below.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may be subject to PRC tax

Under the PRC Corporate Income Tax Law and its implementation regulations issued by the State Council, a PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends have their source within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax. Similarly, any gain realized on the transfer of shares by such investors is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Because it is uncertain whether our Company will be considered a PRC "resident enterprise," dividends payable to our foreign investors with respect to our Shares, or the gain our foreign investors may realize from the transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the PRC Corporate Income Tax Law to withhold PRC tax on dividends payable to our foreign Shareholders, or if you are required to pay PRC tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

The PRC Government has implemented restrictions on the ability of PRC property developers to obtain offshore financing

On July 10, 2007, the General Affairs Department of SAFE issued the Circular Regarding the Publication of the List of the First Batch of Foreign-Invested Property Development Projects That Have Filed with MOFCOM (《關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》), or commonly referred to as Circular No. 130. Circular No. 130 stipulates, among other things, (i) that SAFE will no longer process foreign debt registrations or applications for the purchase of foreign exchange submitted by foreign-invested real estate enterprises (including newly established enterprises and enterprises with increased registered capital) which obtained approval certificates from and registered with MOFCOM on or after June 1, 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or amendments of such registrations) or applications for the sale and purchase of foreign exchange submitted by foreign-invested real estate enterprises which obtained approval certificates from the commerce departments of local governments on or after June 1, 2007 but which had not registered with MOFCOM. This regulation restricts the ability of foreign-invested property development companies to raise funds offshore by structuring the funds as a shareholder loan to the property development companies in the PRC. Instead, such companies have to structure the funds from offshore as an equity investment and obtain the funds through an increase of their registered capital or the establishment of new foreign-invested property development companies. Moreover, the companies also have to file with MOFCOM an application for foreign exchange registration and an application for the sale and purchase of foreign exchange before submitting any of them to SAFE. On June 18, 2008, MOFCOM issued the Circular on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry (《商務部關於做好外商投資房地產業備案工作的通知》), or commonly referred to as Circular No. 23 under which MOFCOM has delegated its verification power regarding the filing of foreign investment in real estate to the provincial authorities under MOFCOM. Pursuant to the requirements in the above circulars, we must apply to the relevant examination and approval authorities if we plan to expand the scope of our business or the scale of our operations, engage in new real estate project developments or operations, or increase the registered capital of our subsidiaries or associated project companies in the PRC in the future. Substantially all of our net proceeds from the Global Offering will need to be initially used to increase the registered capital of, or acquire additional equity interests in, our existing subsidiaries or associated project companies in the PRC or to establish new foreign-invested subsidiaries in the PRC. As advised by our PRC Legal Advisors, the repatriation of funds by any of such means is subject to the filing requirements of Circular No. 130. As a result, we must file with the relevant examination and approval authorities and wait until such filings are completed before we may repatriate the proceeds from the Global Offering into the PRC for such intended uses in the PRC as described in "Future Plans and Use of Proceeds – Use of Proceeds." There can be no assurance that such filings will be completed on a timely basis, or that we will receive the approvals we request, which may delay or prevent us from using the proceeds from the Global Offering for our intended purposes. In addition, if the PRC Government issues policies or regulations that aim at further regulating or restricting overseas investment in the PRC real estate industry and if these policies or regulations have a direct application to our business and operations, our ability to secure new projects may suffer and our business, financial condition, results of operations and prospects could be materially and adversely affected.

You may experience difficulties in enforcing your shareholder rights because our Company is incorporated in the Cayman Islands, and the laws of the Cayman Islands relating to minority shareholder protection may be different from the laws of Hong Kong and other jurisdictions

Our Company is an exempted company incorporated in the Cayman Islands with limited liability, and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located.

Our Company's corporate affairs are governed by our memorandum and articles of association, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in other jurisdictions. This may mean that the remedies available to the Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. For more information, see "Appendix VI – Summary of the Constitution of the Company and Cayman Islands Company Law – Cayman Islands Company Law."

RISKS RELATING TO PROPERTY DEVELOPMENT IN THE PRC

Our business is subject to extensive governmental regulation

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. Our subsidiaries and associated project companies have been involved in various incidents of non-compliance in the past, including certain incidents of material non-compliance, such as the failure to obtain appropriate qualification certificates for Chongqing OG, failure to complete the filing of asset appraisals or the listing-for-sale process relating to the transfers of certain state-owned assets concerning Chongqing OG and Chunshen Lake, and Chongqing Yuneng's delay in paying certain land grant fees. Our incidents of non-compliance also included delays in completing the registration for an increase in capital for WFOE-I, delays in making payments of the land grant fees in respect of the Magnetic Capital and Chongqing Olympic Garden projects and making capital contributions for Sunac Zhidi, a minor breach of the land grant contract in respect of the Asia Pacific Enterprise Valley project, failure to meet the stipulated deadlines for commencing construction for the Suzhou 81 and Xishan Yihaoyuan projects because of a delay on the part of the government in completing certain land clearing works and a longer than expected government approval process for obtaining relevant planning permits, respectively, delays in paying up the registered capital of WFOE-IV, failure of third-party vendors to fully complete asset appraisals and related procedures for equity transfers for Sunac Zhidi and Wuxi Sunac City, failure of Sunac Zhidi to complete asset appraisals and related procedures for an increase and a decrease in capital contributions by shareholders, arrangement for shareholder's loans directly between enterprises under certain borrowing, debt assignment and other agreements, and absence of valid title documents required to be held by third-party lessors from whom we lease certain properties for conducting administrative operations. See "Business – Compliance," "– Risks Relating to Our Business – We are subject to legal and business risks if we fail to obtain or renew our qualification certificates" and "– Risks Relating to Our Business – We may not be able to complete our property development projects on time or at all." We cannot assure you that we will not experience similar and other incidents of non-compliance in the future, which could subject us to various administrative penalties or otherwise result in material adverse effects on our business, results of operations and financial condition.

In particular, the PRC Government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development and restriction or other regulation of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC Government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes, such as property tax, and levies on property sales, and restrict foreign investment in the PRC property sector. Many of the property industry policies carried out by the PRC Government are unprecedented and are expected to be refined and improved over time. Changes in political, economic and social factors may also lead to further adjustments of such policies. This refining and adjustment process may not necessarily have a positive effect on our operations or our future business development. We cannot assure you that the PRC Government will not adopt additional and more stringent industry policies, regulations and measures in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

The PRC Government may adopt measures to slow down the property development sector's rate of growth in the future

As a property developer, we are subject to extensive government regulation in virtually every aspect of our operations and are highly susceptible to changes in the regulatory measures and policy initiatives implemented by the PRC Government. In the past, property developers have invested heavily in the PRC at various times, raising concerns that certain sectors of the property market became overheated. In response, the PRC Government introduced an array of policies and measures intended to curtail the overheating of property development and discourage speculation in the residential property market. These measures include the credit tightening measures discussed in "– Risks Relating to Our Business – We maintain a substantial level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations" and the following, among others:

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

- adopting the "70/90 rule" which requires at least 70% of the total GFA of a residential project approved or constructed on or after June 1, 2006 consist of units with a GFA of less than 90 sq.m. per unit;

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of property if the property is to be used as a primary residence and has a GFA of 90 sq.m. or more;

- for a second-time home buyer, increasing (i) the minimum amount of down payment to 50% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate; if a member of a family (including the buyer and his/her spouse and their children under 18) has financed the purchase of a residential unit with loans from banks, any member of the family that buys another residential unit will be regarded as a second-time home buyer;

- for a commercial property buyer, (i) prohibiting banks from financing any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their risk assessment;

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

- requiring property developers to provide a down payment of no less than 50% of the land grant fee and, generally, requiring them to pay the remaining balance in installments within one year;

- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years;

- imposing a ban on onward transfer of uncompleted properties;

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

- imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and canceling the land use right for land being idle for two years or more;

- revoking the approvals for projects not in compliance with the planning permits; and

- banning the land grant for villa construction and restricting the land provision for high-end residential property construction.

See "Industry Overview – Key Drivers of the PRC Real Estate Industry – PRC Government's real estate policies" and "Summary of Principal Legal and Regulatory Provisions" in Appendix V to this prospectus for more details. Restrictive government policies and measures could adversely affect our business, results of operations and financial condition, such as by limiting our access to capital, reducing consumer demand for our properties and increasing our operating costs. They may also lead to changes in market conditions, including price instability and imbalance of supply and demand in respect of office, residential, retail, entertainment and cultural properties, which may materially adversely affect our business, financial condition and results of operations.

Mortgage financing may become more costly or otherwise less attractive or available

A vast majority of our property purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of properties. The PBOC lowered the benchmark lending rate for loans bearing a maturity of more than five years to 5.94% in December 2008, which is at its lowest level since 2006. Should the PBOC decide to raise the benchmark lending rate, mortgage financing will be more expensive for our potential customers, and as a result, we may experience less demand for our properties. In addition, the PRC Government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework or lending policies in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under current PRC laws and regulations, purchasers of residential properties with a unit floor area of less than 90 sq.m. generally must pay at least 20% of the purchase price of the properties before they can finance their purchases through mortgages. Since May 2006, the PRC Government has increased the minimum amount of down payment to 30% of the purchase price for first-time home owners if such property has a unit floor area of 90 sq.m. or more. Since September 2007, for second-time home buyers that use mortgage financing, the PRC Government has increased the minimum down payment to 40% of the purchase price, and further increased the minimum down payment to 50% in April 2010, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate. The minimum down payment for commercial property buyers has increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate and maximum maturities of no more than 10 years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, financial condition and results of operations could be adversely affected.

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

We depend on pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. See "Business – Property Development – Project Development – Sales and Marketing – Pre-sale." In August 2005, the PBOC in a report entitled "2004 Real Estate Financing Report" recommended discontinuing the practice of pre-selling unfinished properties because such practices, in the PBOC's opinion, have a tendency to create significant market risks and generate transactional irregularities. Although this and similar recommendations have not been adopted by the PRC Government, there can be no assurance that the PRC Government will not adopt such recommendations and ban the practice of pre-selling unfinished properties or implement further restrictions on the pre-sale practice, such as imposing additional conditions for obtaining a Pre-sale Permit or imposing further restrictions on the use of pre-sale proceeds. Any such measures will adversely affect our cash flow position and force us to seek alternative sources of funding for most of our property development business.

Property development in the PRC is still at an early stage and lacks adequate infrastructural support

Private ownership of real estate properties in the PRC is still in a relatively early stage of development. Although the property market in the PRC had generally grown rapidly in prior years until 2008 primarily due to the significant underlying demand for private residential and commercial properties, such growth is often coupled with volatility in market conditions and fluctuation in property prices. Despite the recent improvement in the market conditions of the property sector in the PRC in 2009, it is not possible to predict whether property demand in the PRC will grow in the future, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by the relatively limited availability of accurate financial and market information as well as the relatively low level of transparency in the PRC.

The lack of an effective liquid secondary market for residential properties may discourage investors from acquiring new properties because resale is not only difficult, but could also be a long and costly process. The limited amount of mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights, may further inhibit demand for private properties. In the event of over-supply, prices may fall, which may adversely affect our revenues and profitability.

Extensive government approvals are required over the course of the development of properties in the PRC, and the relevant government authorities may refuse to grant us the requisite approvals on a timely basis, or at all

The property development industry in the PRC is heavily regulated by the PRC Government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including Land Use Right Certificates, Construction Land Planning Permits, Construction Works Planning Permits, Construction Permits, Pre-sale Permits and Certificates of Completion. Each approval is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the 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 with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals. 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 material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted which would materially and adversely affect our business, results of operations and financial condition.

The PRC Government may impose a penalty on us or require the forfeiture of land for any of our projects which were not or have not been developed in compliance with the terms of the land grant contracts

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to the payment of fees, designated use of land, amount of GFA developed, time for commencement and completion or suspension of the development, and amount of capital invested), the relevant government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. In 2008, the State Council issued a notice which requires, among others, that land use rights be strictly revoked for land parcels left idle for two years or more and that an idle land fee be imposed at 20% of the land transfer or grant price for land parcels left idle for one to two years. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period. During the Track Record Period and as of the Latest Practicable Date, except as disclosed under "Business – Compliance," we had not been required to forfeit any land or to pay any fine as a result of failing to develop our land according to the terms of the land grant contract. See also "Business – Property Development – Description of Our Property Development Projects – Chongqing – Asia Pacific Enterprise Valley" for information relating to the late payment of land grant fee by Chongqing Yuneng in the past. However, we cannot assure you that any circumstances leading to the forfeiture of land or imposition of a penalty may not arise in the future. If we are required to forfeit land, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the forfeited land or recover the development costs and other costs incurred up to the date of forfeiture. Any requirement that we pay idle land fees or other related penalties may adversely affect our business, results of operations or financial condition.

The total GFA of some of our property developments may have exceeded the original authorized area; any excess GFA is subject to governmental approval and payment of additional land grant fee or fines and may not be permitted for sales and delivery

When the PRC Government grants land use rights for a piece of land, it will typically specify in the land grant contract the permitted use of the land and the total GFA that the developer may use to develop on the land. The actual GFA constructed, however, may exceed the total GFA authorized in the land grant contract due to factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant authorities inspect the properties after their completion and the developer may be required to pay a fine for the excess GFA. If we fail to obtain the required Certificate of Completion due to any such excess, we will not be allowed to deliver the relevant properties without paying additional land grant fees and may also be subject to liabilities under the sale and purchase agreements. We cannot assure you that the total constructed GFA of our existing projects under development or any future property developments will not exceed the relevant authorized GFA upon completion or that we will be able to pay any additional land grant fees or any required fine and obtain the Certificate of Completion on a timely basis. Under relevant PRC laws and regulations, we may be required to pay additional amounts and/or take corrective actions with respect to any such non-compliant GFA before a Completed Construction Works Certified Report can be issued in respect of the property development, which may materially and adversely affect our business, financial condition and results of operations.

The amount of resettlement compensation payable to existing owners or residents is regulated and may be subject to substantial increases

If any of the land parcels we acquire in the future have existing buildings or structures or are occupied by third parties, we may be responsible for paying resettlement costs prior to developing the land. In accordance with the Regulation on the Dismantlement of Urban Houses (《城市房屋拆遷管理條例》), a property developer in the PRC is required to enter into a written agreement with the owners or residents of existing buildings subject to demolition for development to provide compensation for their relocation and resettlement. The compensation payable by the property developer is calculated in accordance with pre-set formulas provided by the relevant provincial or municipal authorities. However, we cannot assure you that these authorities will not change their compensation formulas. If they do, land acquisition costs may be subject to substantial increases which could adversely affect our financial condition. In addition, if we or the local government fails to reach an agreement over compensation with the owners or residents, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay the timetable of our projects or result in higher compensation costs than originally anticipated. Such delays will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects, which may in turn materially and adversely affect our business, results of operations and financial condition.

RISKS RELATING TO THE PRC

The political and economic situation in the PRC may have a material adverse effect on our business

The PRC economy differs from the economies of most developed countries in many respects, including differences in relation to structure, government involvement, level of development, economic growth rate, control of foreign exchange, allocation of resources and balance of payment position. For the past three decades, the PRC Government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on the PRC's overall long-term development, we cannot predict whether changes in the economic, political and social conditions of the PRC will materially and adversely affect our current or future business, financial condition or results of operations. Moreover, even if new policies may benefit property developers in the long term, we cannot assure you that we will be able to successfully adjust to such policies.

China has been one of the world's fastest growing economies as measured by GDP in recent years. However, we cannot assure you that China will be able to sustain such a growth rate. Since 2008, the Chinese economy has experienced a slowdown in growth primarily as a result of the global financial crisis and economic downturn. To stimulate the growth of the Chinese economy, the PRC Government has implemented and is expected to continue to implement various monetary and other economic measures to expand investments in infrastructure, increase liquidity in the credit markets and create more employment opportunities. However, there can be no assurance that such monetary and economic measures will succeed. If the Chinese economy continues to experience a slowdown in growth or a downturn, demand for real estate may further decline and our business, financial condition and results of operations may be materially and adversely affected.

In addition, demand for our properties may be affected by a variety of factors, some of which may be beyond our control, including:

- political instability or changes in social conditions of the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- further deterioration of the global credit market and economic conditions.

Any significant changes in relation to any of these factors may materially and adversely affect our business, financial condition and results of operations.

Uncertainty with respect to the PRC legal system could affect our business, and it may be difficult to effect service of process upon us or our Directors or officers that reside in the PRC, or to enforce against us or them in the PRC any judgments obtained from non-PRC courts

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, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, the interpretation of PRC laws and regulations involves uncertainty. Depending on the way an application or case is presented to a government agent and on the government agent itself, we may receive less favorable interpretations of laws and regulations than our competitors. 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.

Substantially all of our Directors and officers reside within the PRC. In addition, substantially all of our assets and substantially all of the assets of our Directors and executive officers are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process upon us or those persons in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Fluctuation in the value of RMB may have a material adverse effect on our business and on your investment

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC Government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in appreciation of the Renminbi against the U.S. dollar by approximately 23.2% from July 21, 2005 to September 17, 2010. Any significant further appreciation of RMB may materially and adversely affect our cash flow, earnings and financial position, and the value of, and any dividends payable on, the Shares in foreign currency terms. For example, an appreciation of RMB against the U.S. dollar would make any new RMB denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into RMB for such purposes.

Governmental control of currency conversion may affect the value of your investment

The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current group structure, our Company's income is primarily derived from dividend payments from our subsidiaries and associated project companies in the PRC. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries and associated project companies in the PRC to remit sufficient foreign currency to pay dividends or other payments to our Company, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect the ability of our subsidiaries and associated project companies in the PRC to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy the currency demands, our Company may not be able to pay dividends in foreign currencies to the shareholders.

The national and regional economies may be adversely affected by natural disasters, epidemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business

Natural disasters, epidemics, acts of war and political unrest, which are beyond our control, may materially and adversely affect the economy of the PRC and the cities in which we operate. Some areas in the PRC are under the threat of earthquakes, ice storms, floods, sandstorms, droughts or other natural disasters. For instance, in May 2008, a high-magnitude earthquake occurred in Sichuan Province and certain other areas of China. These disasters will cause significant casualties and loss of properties and any of our operations in the affected areas could be adversely affected. If similar or other inclement weather or climatic conditions or natural disasters occur, our operations may be hampered, which could result in an adverse impact on our business, results of operations and financial condition. In addition, certain areas of China are susceptible to epidemics such as Severe Acute Respiratory Syndrome ("SARS"), H5N1 flu or H1N1 flu. An increasing number of H1N1 flu cases have recently been confirmed in various regions in China. A recurrence of SARS or an outbreak of H5N1 flu, H1N1 flu or any other epidemics in China in general or in our target cities could result in material disruptions to our property developments, which in turn may adversely affect our business, results of operations and financial condition. Political unrest, acts of war and terrorism may also cause disruption to our business and markets, injure our employees, cause loss of lives or damage our properties, any of which could materially impact our sales, costs, overall financial condition and results of operations. The potential for wars or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, results of operations and financial condition may as a result be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of the Shares may be volatile

Prior to the Global Offering, there has been no public market for the Shares. The initial public offering price range per Share was the result of negotiations among us and the Joint Global Coordinators on behalf of the Underwriters, and the Offering Price may differ significantly from the market price for the Shares following the Global Offering. We have applied to list and trade the Shares on the Stock Exchange of Hong Kong. There can be no assurance that the Global Offering will result in the development of an active, liquid public trading market for the Shares. In addition, the price and trading volumes of the Shares may be volatile. Factors such as variations in our revenues, earnings and cash flow or any other developments may affect the volume and price at which the Shares will be traded. Volatility in the price of our Shares may also be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the net tangible assets value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value to HK$1.29 per share, based on the maximum Offer Price of HK$3.98, assuming the Over-allotment Option, the Pre-IPO Share Options and the Trustee Option are not exercised.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible asset book value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

The sale of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

Before the Global Offering, there has not been a public market for our Shares. Future sales of a substantial number of our Shares could adversely affect the market price of our Shares prevailing from time to time. While certain Shares that our Controlling Shareholders, the

Bondholders and our cornerstone investors own or may own are subject to certain lock-up undertakings for periods of six or twelve months, we cannot assure you that they will not dispose of any Shares during such relevant periods. If any of their undertakings are waived or breached, or after the restrictions lapse, or otherwise, any future sales of a substantial number of our Shares or the possibility of such sales could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

The costs of the share options granted under the Pre-IPO Share Option Scheme and the Employees' Share Award Scheme will adversely affect our results of operations and any exercise of such options will have a dilutive effect on your shareholding percentage and may result in our issuance of Shares at prices lower than their trading price or fair market value

We have adopted the Pre-IPO Share Option Scheme and the Employees' Share Award Scheme, pursuant to which up to 61,224,000 Shares in total may be issued at a subscription price per Share equal to 80% of the Offer Price upon the exercise of the Pre-IPO Share Options and the Trustee Option. In September 2010, we conditionally granted options to subscribe for up to 51,080,000 Shares under the Pre-IPO Share Option Scheme and we also granted the Trustee Option to subscribe for up to 10,144,000 Shares under the Employees' Share Award Scheme. We account for all such share-based compensation as compensation costs using a fair-value based method, under which the fair value of the options granted on the date of the grant will be recognized as an expense on the income statement over the vesting period. The costs of the share options granted under the Pre-IPO Share Option Scheme and the Employees' Share Award Scheme will therefore reduce our profit for the relevant periods after the Listing. Such option schemes or any post-IPO option schemes that we may adopt in the future will adversely affect our results of operations.

Subsequent to the completion of the Global Offering, if any grantees exercise their Pre-IPO Share Options or any selected employees exercise their share awards under the Employees' Share Award Scheme, additional Shares will be issued at a price which may be lower than the prevailing trading price or fair market value of our Shares at the time. Therefore, your shareholding in our Company is subject to dilution in terms of both your ownership percentage in our Company and the fair value of the Shares you hold. Assuming the Pre-IPO Share Options and the Trustee Option are exercised in full following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised, the dilutive effect on your shareholding percentage will be approximately 2.00% of the number of Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue.

Forward-looking information may prove inaccurate

This prospectus contains certain forward-looking statements and information relating to us, our subsidiaries or associated project companies that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business and operating strategies;
- our capital expenditure and property development plans;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to LAT and any future changes to LAT;
- our dividend policy;
- availability and costs of bank loans and other forms of financing;
- performance and future developments of the property market in the PRC in general and in those areas of the PRC in which we may engage in property development;
- property industry outlook generally;
- changes in political, economic, legal and social conditions in the PRC, including the specific policies of the PRC Government and the relevant local authorities which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- timely repayment by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- performance of the obligations of independent contractors under various construction, building, interior decoration and installation contracts;
- performance of the obligations of third-party property management companies under the property management agreements for our residential and commercial properties and our overall relationship with them;
- changes in currency exchange rates;
- significant delays in obtaining various approvals, permits or certificates from, or completing various registration procedures with, the relevant government authorities including proper legal titles or approvals for our properties under development or held for future development; and
- other factors beyond our control.

Subject to the requirements of the Hong Kong Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

We cannot guarantee the accuracy of facts, forecasts and other statistics, including with respect to the PRC, the PRC economy and the PRC property sector, contained in this prospectus

Facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC economy, the PRC property sector and other areas have been derived from various PRC government publications. We cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, 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 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, there can be no assurance 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.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

Prior to the completion of the Global Offering, there has been press and media coverage regarding us and the Global Offering. We do not accept any responsibility for the accuracy or completeness of such information and you should be aware that such information is not sourced from or authorized by our Directors or our management. Our Directors make no representation as to the appropriateness, accuracy, completeness or reliability of any such information included in or referred to by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding us or our Shares. To the extent that any statements are inconsistent with, or conflict with, information contained in this prospectus, our Directors do not accept any responsibility for such statements. Accordingly, you are cautioned that, in making your decisions as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than the information contained in this prospectus and the Application Forms.