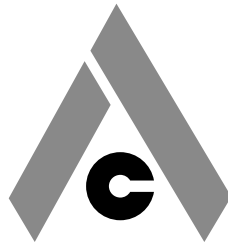


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the United States Securities Act 1933, as amended. No securities may be offered or sold in the United States absent registration or an exemption from the registration requirements. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or the selling security holder. Such prospectus will contain detailed information about the company involved and its management and financial statements. The Company does not intend to make any public offering of securities in the United States.



建業地產股份有限公司 *

Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0832)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Reference is made to the announcements of Central China Real Estate Limited (the “Company”) dated 6 October 2010 and 14 October 2010 in relation to the Notes Issue (the “Announcements”). Terms used herein have the same meaning as defined in the Announcements, unless otherwise defined.

Please refer to the attached offering memorandum (the “Offering Memorandum”) in relation to the Notes, which has been published on the website of Singapore Exchange Securities Trading Limited on 21 October 2010.

The posting of the Offering Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.09(2) of the Listing Rules, and not for any other purposes.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Memorandum.

By Order of the Board
Central China Real Estate Limited
Wu Po Sum
Chairman

Hong Kong, 21 October 2010

* *For identification purposes only*

As at the date of this announcement, the Board comprises ten Directors, of which Mr. Wu Po Sum, Mr. Wang Tianye and Ms. Yan Yingchun are executive Directors, Mr. Lim Ming Yan (alternate director: Mr. Lucas Ignatius Loh Jen Yuh), Mr. Leow Juan Thong Jason, Mr. Hu Yongmin and Ms. Wallis Wu are non-executive Directors, and Mr. Cheung Shek Lun, Mr. Wang Shi and Mr. Xin Luo Lin are independent non-executive Directors.

US\$300,000,000



建業地產

Central China Real Estate

Central China Real Estate Limited*(incorporated in the Cayman Islands with limited liability)***12.25% Senior Notes due 2015****Issue Price: 100.0% plus, in each case, accrued interest, if any, from the issue date**

Our 12.25% Senior Notes due 2015 (the “Notes”) will bear interest from October 20, 2010 at 12.25% per annum payable semi-annually in arrears on April 20 and October 20 of each year, beginning April 20, 2011. The Notes will mature on October 20, 2015.

The Notes are senior obligations of Central China Real Estate Limited (the “Company”), guaranteed by our existing subsidiaries (the “Subsidiary Guarantors”), other than those subsidiaries organized under the laws of the PRC. We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (a “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

We may at our option redeem the Notes, in whole or in part, at any time on or after October 20, 2013, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to the redemption date. At any time and from time to time prior to October 20, 2013, we may redeem up to 35% of the Notes, at a redemption price of 112.25% of their principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, we may redeem the Notes at any time prior to October 20, 2013, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus (i) accrued and unpaid interest (if any) to the redemption date and (ii) a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the “Indenture”)), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) at least pari passu in right of payment against the Company with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (3) effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined herein). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.” For a more detailed description of the Notes, see the section entitled “Description of the Notes” beginning on page 195.

Investing in the Notes involves risks. See the section entitled “Risk Factors” beginning on page 15.

Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST or quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold by the Initial Purchasers only (1) to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A (“Rule 144A”), and (2) outside the United States in compliance with Regulation S under the Securities Act (“Regulation S”). For a description of certain restrictions on resale or transfer, see the section entitled “Transfer Restrictions” beginning on page 266.

It is expected that the delivery of the Notes will be made through the facilities of The Depository Trust Company (the “DTC”), on or about October 20, 2010 in New York, New York against payment therefor in immediately available funds.

*Sole Global Coordinator***Deutsche Bank***Joint Bookrunners and Joint Lead Managers***Deutsche Bank****ING****Nomura**

The date of this offering memorandum is October 13, 2010.

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NOTICE TO INVESTORS

This offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

In connection with the issue of the Notes, Deutsche Bank AG, Singapore Branch (or its affiliates), as stabilizing manager may, subject to applicable laws and regulations, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the time of delivery. However, there is no obligation on Deutsche Bank AG, Singapore Branch to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum before making a decision whether to purchase the Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

Notwithstanding anything to the contrary contained herein, a prospective investor (and each employee, representative, or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this offering memorandum and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in U.S. Treasury Regulation section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled “Transfer Restrictions” below.

No representation or warranty, express or implied, is made by Deutsche Bank AG, Singapore Branch, ING Bank N.V., London Branch or Nomura International plc (collectively, the “Initial Purchasers”) or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers, to the fullest extent permitted by law, assume no responsibility for the accuracy or completeness of any such information or for any statement made or purported to be made by the Initial Purchasers or on our behalf in connection with the Company, the JV Subsidiary Guarantors or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in contract or tort or otherwise which they might otherwise have in respect of this offering memorandum or any such statement.

Each person receiving this offering memorandum acknowledges to us and the Initial Purchasers that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our

subsidiaries and affiliates, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our Company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

Prospective purchasers are hereby notified that sellers of the securities, including the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. We are not, and the Initial Purchasers are not, making an offer to sell the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the securities, including the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), and distribution of this offering memorandum, see the sections entitled "Transfer Restrictions" and "Plan of Distribution" below.

This offering memorandum summarizes certain material documents and other information, and investors should refer to them for a more complete understanding of what is discussed in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. None of the Company, the Initial Purchasers or our or their respective directors or advisors are making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company,” the “Group” and words of similar import, we are referring to Central China Real Estate Limited itself, or to Central China Real Estate Limited and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and the PRC and property industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or our or their respective directors and advisors, and neither we, the Initial Purchasers nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and the PRC and property industry statistics.

In this offering memorandum, references to “US\$” and “U.S. dollars” are to United States dollars, the official currency of the United States of America (the “United States” or “U.S.”); references to “HK\$” and “H.K. dollars” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong” or “HK”); and references to “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China (“China” or the “PRC”).

We prepare and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.7735 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on July 30, 2010, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.7672 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on July 30, 2010. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled “Exchange Rate Information.”

References to “PRC” and “China,” in the context of statistical information and description of laws and regulations in this offering memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC (“Macau”), or Taiwan. “PRC government” or “State” means the central government of the PRC, together with all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Unless the context otherwise requires, references to “2007,” “2008” and “2009” in this offering memorandum are to our financial years ended December 31, 2007, 2008 and 2009, respectively. References to “Share” are, unless the context indicates otherwise, to an ordinary share, with a nominal value of HK\$0.10, in our share capital.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and gross floor area (“GFA”) information presented in this offering memorandum represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies. References to “sq.m.” are to the measurement unit of square meters.

In this offering memorandum, unless the context otherwise requires, references to “affiliate” are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; references to “subsidiary” are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended (the “Listing Rules”), which includes: (i) a “subsidiary undertaking” as defined in the twenty-third schedule to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the “Companies Ordinance”), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS (as defined below) or International Financial Reporting Standards, as applicable, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable; all references to “associate” are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director, chief executive or substantial shareholder of a listed issuer; and references to “controlling shareholder” are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and “controlling interest” will be construed accordingly.

In this offering memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to such rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

The following terms used in this offering memorandum shall have the same meaning assigned to them:

<u>Term</u>	<u>Definitions</u>
“2009 Convertible Bonds with Warrants”	the unsecured convertible bonds with a principal amount of HK\$765,000,000 due 2014 and 76,097,561 warrants issued by our Company on August 31, 2009
“Artstar Investments”	Artstar Investments Limited
“CCRE Anyang”	Anyang Central China Real Estate Company Limited (安陽建業住宅建設有限公司)
“CCRE Business Services”	Central China Premier Business Services Co., Ltd. (鄭州建業至尊商務服務有限公司)
“CCRE Changjian”	Luohe Central China Changjian Real Estate Company Limited (漯河建業昌建置業有限公司)

<u>Term</u>	<u>Definitions</u>
“CCRE China”	Central China Real Estate Group (China) Company Limited (建業住宅集團(中國)有限公司)
“CCRE Coal Chemical”	Henan Coal Chemical Central China Real Estate Development Investment Co., Ltd. (河南煤化建業房地產開發投資有限公司)
“CCRE Commercial Properties”	Henan Central China Commercial Real Estate Management Company Limited (河南建業商業地產經營管理有限公司)
“CCRE Dahong”	Kaifeng Central China Dahong Real Estate Company Limited (開封建業大宏住宅建設有限責任公司)
“CCRE Dahong Property Service”	CCRE Dahong Property Service Co., Ltd. (開封建業大宏物業服務有限公司)
“CCRE Development”	Central China Properties Development Limited
“CCRE Forest Peninsula”	Kaifeng Central China Forest Peninsula Real Estate Company Limited (開封建業森林半島置業有限公司)
“CCRE Golden Dragon”	Xinxiang Golden Dragon Central China Real Estate Company Limited (新鄉金龍建業住宅建設有限公司)
“CCRE Heating”	Henan Central China Heating Supply Company Limited (河南建業熱力供應有限公司)
“CCRE Hebi”	Hebi Central China Real Estate Co., Ltd. (鶴壁建業住宅建設有限公司)
“CCRE Henan”	Henan Central China Real Estate Company Limited (河南建業住宅建設有限公司)
“CCRE Holdings”	Central China Real Estate Holdings Limited
“CCRE Hotel Investment”	Henan Central China Premier Hotel Investment Co., Ltd. (河南建業至尊酒店投資有限公司)
“CCRE Hotel Management”	Zhengzhou Central China Hotel Management Company Limited (鄭州建業酒店管理有限公司)
“CCRE Huarun”	Shangqiu Central China Huarun Real Estate Co., Ltd. (商丘建業華潤置業有限公司)
“CCRE Investments”	Central China Real Estate Investments Limited (建業地產投資股份有限公司)
“CCRE Jiaozuo”	Jiaozuo Central China Real Estate Company Limited (河南建業置地焦作有限公司)
“CCRE Jili”	Xinxiang Central China Jili Real Estate Co., Ltd. (新鄉建業吉利置業有限公司)

<u>Term</u>	<u>Definitions</u>
“CCRE Jiyuan”	Jiyuan Central China Real Estate Company Limited (濟源建業住宅建設有限公司)
“CCRE Kaifeng”	Kaifeng Central China Real Estate Company Limited (開封建業地產有限公司)
“CCRE Luohe”	Luohe Central China Real Estate Company Limited (漯河建業住宅建設有限公司)
“CCRE Luoyang”	Central China Real Estate (Luoyang) Company Limited (建業住宅集團洛陽置業有限公司)
“CCRE Nanyang”	Nanyang Central China Real Estate Company Limited (南陽建業住宅建設有限公司)
“CCRE New Land”	Henan Central China New Land Real Estate Co., Ltd. (河南建業新大地置業有限公司)
“CCRE New Town”	Zhengzhou United New Town Real Estate Company Limited (鄭州聯盟新城置業有限公司)
“CCRE Pingdingshan”	Pingdingshan Central China Real Estate Company Limited (平頂山建業住宅建設有限公司)
“CCRE Puyang”	Puyang Central China Real Estate Company Limited (濮陽建業住宅建設有限公司)
“CCRE Sanmenxia”	Sanmenxia Central China Real Estate Company Limited (三門峽建業住宅建設有限公司)
“CCRE Service”	Construction Premier Service Limited
“CCRE Shangqiu”	Shangqiu Central China Real Estate Company Limited (商丘建業住宅建設有限公司)
“CCRE St. Andrews”	Henan Central China St. Andrews Real Estate Company Limited (河南聖安德魯斯置業有限公司)
“CCRE Sun Town”	Henan Central China Sun Town Real Estate Company Limited (河南建業太陽城置業有限公司)
“CCRE Taihong Real Estate”	Henan Central China Taihong Real Estate Co., Ltd. (河南建業泰宏置業有限公司)
“CCRE Wugang”	Wugang Central China City Construction Co., Ltd. (舞鋼建業城市建設有限公司)
“CCRE Xinxiang”	Xinxiang Central China Real Estate Company Limited (新鄉建業住宅建設有限公司)
“CCRE Xinyang”	Xinyang Central China Tianming Real Estate Company Limited (信陽建業天明住宅建設有限公司)

<u>Term</u>	<u>Definitions</u>
“CCRE Xuchang”	Xuchang Central China Real Estate Company Limited (許昌建業住宅建設有限公司)
“CCRE Yuzhou”	Yuzhou Central China Xintiandi Real Estate Company Limited (禹州新天地建設開發有限公司)
“CCRE Zhengzhou”	Central China Zhengzhou Property Co., Ltd. (鄭州建業住宅建設有限公司)
“CCRE Zhongyuan”	Henan Zhongyuan Central China Real Estate Development Company Limited (河南中原建業城市發展有限公司)
“CCRE Zhoukou”	Henan Central China Forest Peninsula Real Estate Company Limited (河南建業森林半島置業有限公司)
“CCRE Zhumadian”	Zhumadian Central China Real Estate Company Limited (駐馬店建業住宅建設有限公司)
“certificate of completion”	construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection
“construction land planning permit”	the construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China
“construction permit”	construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
“construction works planning permit”	the construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China
“Country Star”	Country Star Holdings Limited (國星集團有限公司)
“CURA Investment Management”	CURA Investment Management Co., Ltd. (上海中城聯盟投資管理有限公司)
“Golden Dragon Real Estate”	Xinxiang Central China Golden Dragon Co., Ltd. (新鄉建業金龍置業有限公司)
“Henan”	Henan Province, PRC

<u>Term</u>	<u>Definitions</u>
“Henan U-Town”	Henan United New Town Real Estate Company Limited (河南聯盟新城置業有限公司)
“Henan United Clubs Management”	Henan United Clubs Management Co., Ltd. (河南聯盟會館管 理有限公司)
“Jiaozuo Real Estate”	Central China Jiaozuo Real Estate Co., Ltd. (建業住宅集團焦 作置業有限公司)
“Joy Ascend”	Joy Ascend Holdings Limited
“land grant contract”	the state-owned land use rights grant contract (國有土地使用 權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus
“land use rights certificate”	the state-owned land use rights certificate (國有土地使用 權證) issued by a local real estate and land resources bureau with respect to the land use rights
“Luoyang Landmark”	Luoyang Central China Kaixuan Landmark Co., Ltd. (洛陽建 業凱旋置地有限公司)
“Luoyang Zhongya”	Luoyang Zhongya Real Estate Development Co., Ltd. (洛陽中亞置業發 展有限公司)
“Nanyang Hotels”	Nanyang Central China Hotels Co., Ltd. (南陽建業酒 店有限公司)
“Nanyang Real Estate”	Central China Nanyang Real Estate Co., Ltd. (建業住宅集 團南陽置業有限公司)
“Pingdingshan Real Estate”	Central China Real Estate Pingdingshan Co., Ltd. (建業住宅集 團平頂山置業有限公司)
“pre-sale permit”	commodity property pre-sale permit (商品房預售 許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties
“property ownership certificate”	the property ownership certificate (房屋所有權 證) issued by a local real estate and land resources bureau with respect to the ownership rights of the buildings on the relevant land
“Real Estate Chamber Investment”	Henan Chamber of Real Estate Investment Co., Ltd. (河南地產商 會投資股份有 限公司)

<u>Term</u>	<u>Definitions</u>
“St. Andrews Golf Club”	St. Andrews Golf Club (Zhengzhou) Co., Ltd. (聖安德魯斯高爾夫俱樂部(鄭州)有限公司)
“Universal Food City”	Henan Universal Food City Co., Ltd. (河南環球美食城有限公司)
“urbanization rate”	the percentage of a given population of a defined area that lives in an urban area
“Yuanda Real Estate”	Henan Yuanda Real Estate Co., Ltd. (河南遠達置業有限公司)
“Yushang Real Estate”	Henan Yushang Real Estate Development Co., Ltd. (河南省豫商地產開發有限公司)
“Zhengzhou United Property”	Zhengzhou United Property Co., Ltd. (鄭州聯合置業有限公司)

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the region where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;

- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “anticipate,” “going forward,” “ought to,” “seek,” “project,” “forecast,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance and some of which may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled “Risk Factors” in this offering memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

ADDITIONAL INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resales of the Notes, we are required to furnish upon request of a holder of the Notes and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if at the time of such request we are neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “U.S. Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, for so long as any such Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act. So long as any of the Notes remains outstanding, we will provide to the Trustee for forwarding to the holders of the Notes our semi-annual and annual financial statements.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor and JV Subsidiary Guarantor (if any) is also incorporated or may be incorporated, as the case may be, outside the United States, such as the British Virgin Islands and Hong Kong. The Cayman Islands, the British Virgin Islands, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

All of our assets and all of the assets of the Subsidiary Guarantors are, and all or some of the assets of the JV Subsidiary Guarantors (if any) may be, located outside the United States. In addition, all of our directors and officers and the directors and officers of the Subsidiary Guarantors are, and all or some of the directors and officers of the JV Subsidiary Guarantors (if any) may be, nationals or residents of countries other than the United States (principally of the PRC), and all or a substantial portion of such persons’ assets are located or may be located, as the case may be, outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or such directors and officers or to enforce against us, any of the Subsidiary Guarantors and

the JV Subsidiary Guarantors (if any) or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) expect to appoint CT Corporation System as our and their respective agent to receive service of process with respect to any action brought against us, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) in the United States federal courts located in the Borough of Manhattan, The City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) in the courts of the State of New York in the Borough of Manhattan, The City of New York under the securities laws of the State of New York.

We have been advised by our Cayman Islands legal advisor, Conyers Dill & Pearman, that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the United States courts against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

We have been advised by our British Virgin Islands legal adviser, Conyers Dill & Pearman, that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the United States courts against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

We have been advised by our Hong Kong legal advisor, Li & Partners, that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time;
- (c) is contrary to public policy or natural justice;
- (d) is for penal damages; or
- (e) is based on foreign penal, revenue or other public law.

We have also been advised by our PRC legal advisor, Commerce & Finance Law Offices, that there is uncertainty as to whether the courts of China would (i) enforce judgments of U.S. courts obtained against us, our

directors or officers, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or their directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) or their directors or officers predicated upon the U.S. federal or state securities laws.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which differ in certain material respects from generally accepted accounting principles in certain other countries, including the United States. There are no material differences, however, between HKFRS and International Financial Reporting Standards. We have not identified the differences between HKFRS and those generally accepted accounting principles in other countries, nor have we quantified the effect of applying those generally accepted accounting principles to our financial statements. In making an investment decision, investors must make their own judgment in assessing our financial statements. You should consult your own professional advisors for an understanding of the differences between HKFRS and generally accepted accounting principles in other countries and how such differences might affect our financial statements and your investment in the Notes.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire offering memorandum, including the section entitled “Risk Factors” and our consolidated financial statements and related notes thereto, before making an investment decision.

Overview

We are the leading residential property developer in Henan, according to the China Real Estate Top 10 Research Team based on a number of factors including scale, profitability, financial stability and growth potential. See “Business — Awards and Certificates.” With an operating history of 18 years in property development in Henan, we have established a well-recognized brand in Henan’s residential property market and completed an aggregate GFA of 4.6 million sq.m. between 1992 and July 31, 2010. Leveraging our experience and brand reputation, we have expanded into 22 cities across Henan, including all 18 prefecture-level cities and four county-level cities, as of July 31, 2010.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan’s strong economic growth and significant increase in urbanization. Henan is China’s second most populous province according to the National Bureau of Statistics of China, with a population of 94.9 million, second only to Guangdong, with 96.4 million. From 2005 through 2009, Henan’s GDP grew from RMB1,058.7 billion to RMB1,948.0 billion, representing a compound annual growth rate (“CAGR”) of 16.5%, exceeding the national average of 16.0%. During the same period, Henan’s urbanization rate also grew significantly by 7.7%, from 31.9% to 39.6%, which was yet at a level considerably below the national urbanization rate of 46.6% in 2009, leaving room for further growth in urbanization. In 2009, Henan’s urban population grew by 5.3%, which was more than double the average 2.5% growth nationally.

We believe Henan is a substantially end-user driven residential property market, which helps contribute to greater stability in pricing and sales volume, less exposure to cyclicalities and policy changes compared to many other cities, particularly when the PRC government introduces policies aimed at curbing speculation in the residential property market. The majority of our residential properties are sold to end-users who are either first-time buyers or homeowners seeking a better residence. Our residential properties are targeted at mid- to high-income customers. To cater to the diverse needs of our target customers, our projects are typically integrated residential complexes offering a combination of products, ranging from villas and townhouses to low-rise and high-rise apartment buildings, with retail and other commercial facilities, community facilities and scenic surroundings.

CapitaLand Limited (“CapitaLand”), one of the largest real estate companies in Asia, became our strategic partner in December 2006. CapitaLand’s shareholding in our Company is approximately 27.1% as of the date of this offering memorandum. CapitaLand has guided us in developing international best practices in risk and internal controls and helped us to keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisition. CapitaLand also performs regular internal control audits, contributing to significant enhancement of our corporate governance. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China Holdings Pte Ltd (“CapitaLand China”) and CapitaLand LF (Cayman) Holdings Co., Ltd. (“CapitaLand Cayman”) in Henan and five neighboring provinces pursuant to a deed of non-competition undertaking by CapitaLand China and CapitaLand Cayman. See “Our Relationship with CapitaLand.”

Since inception, we have fully completed a total of 21 projects with an aggregate GFA of 4.6 million sq.m. As of July 31, 2010, we had a total of 41 other projects in Henan in various stages of development, including an

aggregate planned GFA of 1.5 million sq.m. of properties under development and an aggregate planned GFA of 6.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates. As of July 31, 2010, we had also entered into land grant contracts or land use rights transfer agreements in respect of development sites with an aggregate planned GFA of 3.4 million sq.m. for which we had not yet obtained land use rights certificates.

Our Competitive Strengths

We are the leading residential property developer in Henan

We are the leading residential property developer in Henan, according to the China Real Estate Top 10 Research Team based on a number of factors including scale, profitability, financial stability and growth potential. See “Business — Awards and Certificates.” With an operating history of 18 years in property development in Henan, we have established a well-recognized brand in Henan’s residential property market and completed an aggregate GFA of 4.6 million sq.m. between 1992 and July 31, 2010. Leveraging our experience and brand reputation, we have expanded into 22 cities across Henan, including all 18 prefecture-level cities and four county-level cities, as of July 31, 2010.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan’s strong economic growth and significant increase in urbanization. Henan is China’s second most populous province according to the National Bureau of Statistics of China, with a population of 94.9 million, second only to Guangdong, with 96.4 million. From 2005 through 2009, Henan’s GDP grew from RMB1,058.7 billion to RMB1,948.0 billion, representing a CAGR of 16.5%, exceeding the national average of 16.0%. During the same period, Henan’s urbanization rate also grew significantly by 7.7%, from 31.9% to 39.6%, which was yet at a level considerably below the national urbanization rate of 46.6% in 2009, leaving room for further growth in urbanization. In 2009, Henan’s urban population grew by 5.3%, which was more than double the average 2.5% growth nationally. With an average property price of RMB2,666 per sq.m. in 2009 according to the Henan Statistical Yearbook 2010, we believe Henan’s property market is still at a relatively early stage of development with significant long term growth potential. We believe our established strong presence and leading position in Henan would well position us to capitalize on Henan’s growth.

We enjoy strong brand recognition supported by our high-quality differentiated products, design features and after-sales services; our strong brand and long track record in Henan have given us a significant competitive advantage

Having engaged in property development in Henan for 18 years, we have established “建业” (Jianye) as a well-recognized brand for good quality and innovative design in Henan’s residential property market and have sold an aggregate GFA of 4.4 million sq.m. since 1992. We were one of the “Top 10 Real Estate Enterprises by Brand Value in Midwestern China in 2009” according to the China Real Estate Top 10 Research Team. We have built our brand primarily through offering construction quality, design and services that we believe are among the best available in the relevant markets. We select and maintain good relationships with established architecture and design firms, construction companies and suppliers. We emphasize workmanship quality, innovative interior design and integrated landscaping to create desirable living environments. Moreover, we develop properties with designs and concepts tailored to meet the needs of our target customers, such as Forest Peninsula, Green Garden, U-Town and Code One City. We also provide an array of value-added services, such as dining reservations, delivery services, ticketing and complimentary monthly newsletters to our customers through our membership program, the Jianye Club, which builds customer loyalty and further enhances our brand image.

We have received a large number of awards for our product quality and design innovation, such as the Asian Habitation Model Project Award given to the Forest Peninsula (Zhengzhou) project and the designation of the

Landmark (Zhengzhou) as one of China's Most Reputable Projects. We believe our experience and ability to develop high-quality properties, as well as the recognition accorded to us by the property industry and buyers alike, enable us to market our properties at a premium.

We have sufficient low-cost land reserves in strategic locations in Henan to support our future development

We undertake extensive market research to identify land in cities with significant development and growth potential. Currently our strategic presence encompasses 22 cities in Henan, which include all 18 prefecture-level cities. We select cities for our projects based on GDP, population, disposable income, and other factors. Most of our land reserves are strategically located in town centers with convenient transportation access.

We believe we have been able to maintain a relatively low land cost base. The average acquisition cost of our land reserves as of July 31, 2010 was RMB510 per sq.m. of GFA. For the years ended December 31, 2007, 2008 and 2009 and the seven months ended July 31, 2010, our land acquisition cost recognized in cost of sale in respect of properties completed and sold accounted for 13.7%, 10.1%, 12.2% and 12.0% of our turnover from the sale of properties, respectively.

As of July 31, 2010, we had an aggregate planned GFA of 1.5 million sq.m. of properties under development and an aggregate planned GFA of 6.3 million sq.m. of properties held for future development for which we had obtained land use rights certificates. As of July 31, 2010, we had also entered into land grant contracts or land use rights transfer agreements in respect of development sites with an aggregate planned GFA of 3.4 million sq.m. for which we had not yet obtained land use rights certificates. We believe that our current land reserves provide a solid foundation for our future growth. With our current land reserves, we believe we have a sufficient GFA for development for the next four to five years.

We have access to diverse funding sources

We have access to the international capital markets through equity and equity-linked debt offerings. We completed our initial public offering ("IPO") and listed our shares on the Hong Kong Stock Exchange in 2008, raising net proceeds of approximately HK\$1,259.9 million. Subsequent to our IPO, we also completed an offering of our 2009 Convertible Bonds with Warrants, raising net proceeds of RMB671.4 million (US\$99.1 million). We also have established close relationships with a number of major PRC commercial banks. We believe that our ability to access different capital markets provides us with more flexibility to fund our operations and enhance our liquidity.

We benefit from strong relationships with strategic investors and business partners

We have strong relationships with international and domestic business partners. CapitaLand, one of the largest real estate companies in Asia, has been our second largest shareholder since December 2006. See "Our Relationship with CapitaLand."

In addition, we have built up strong working relationships with established domestic and international design firms, construction companies, building material suppliers, and property management companies. In May 2008, we entered into a framework contract with Sheraton Overseas Management Corporation, a market leader in hotel management, for enhancing the operations of our hotel projects which was later revised by the parties in February 2010. These business partners help reinforce our strength in delivering high-quality products and services, ranging from design and construction to property management and hotel operation.

We have a highly effective management structure and an experienced management team

We adopt a two-tier centralized management structure. Our headquarters oversees design, engineering, marketing, finance and strategy, and our subsidiary companies manage day-to-day property operations. It enables

us to effectively manage our project development in a cost-efficient manner by separating day-to-day management from corporate-level decision-making.

Mr. Wu Po Sum, our chairman and a founder of our Group, has extensive experience in property development in Henan and is a prominent real estate entrepreneur in China. He has won the “Most Influential Person in the China Real Estate Industry for the Last 15 Years” award granted by the China Real Estate Association in 2005 and the “Most Respected Entrepreneur in Henan Province in 2005” award granted by Henan Newspapers Group. In addition, our board of directors comprises experienced executive, non-executive and independent non-executive members including, among others, two appointees from CapitalLand, one appointee from FountainVest and Mr. Wang Shi, chairman of China Vanke Co., Ltd. (one of the largest residential property developers in China). We have been able to capitalize on the collective expertise of our management team so that we can develop and sell properties that appeal to our target customers in various locations across Henan. We believe that we have benefited, and will continue to benefit, from our management’s extensive experience and knowledge of the PRC property market.

Our Business Strategies

Further strengthen our leading position in Henan’s residential property market

We intend to continue to execute the Provincial Strategy. We intend to further solidify our leading position in Henan’s residential property market through further investments in land acquisitions in our key markets such as Zhengzhou and continue to leverage our local knowledge and market reputation to expand our business in the province, both in those cities where we already have developments and in others where we do not yet have developments. We plan to continue to focus on developing medium- to large-scale residential communities in major prefecture-level cities. We also intend to continue our expansion in newly urbanized town centers of county-level cities in Henan. We believe these would allow us to capture the economic growth in Henan and to geographically broaden our revenue base.

When suitable opportunities arise, we may also selectively expand our operations to develop residential properties in other provinces in China to complement our business development in Henan.

Strategically expand our land reserves

To grow our business, we intend to continue to strategically acquire development sites for future development, either directly through land acquisitions or indirectly by cooperating with business partners or acquiring a stake in project companies to jointly acquire development sites. We plan to continue to base our land acquisition decisions on thorough research and analysis of a project’s expected return in the context of forecasted property and economic trends in the relevant city. We seek to maintain land reserves sufficient to support a development pipeline of four to five years on a rolling basis. We intend to continue to closely monitor our cash position and leverage ratio and actively manage our financing planning and cash flow. We seek to remain disciplined in our capital commitments and incurrence of additional debt with a view to maintaining a careful balance between land acquisition and prudent financial management.

Further improve our operational efficiency and profitability

We intend to further improve our operational efficiency and profitability in order to enhance our competitiveness and achieve sustainable and stable profit growth. We plan to continue to implement our business model of developing properties in product lines with similar designs and standardized construction materials across different project sites. Moreover, we plan to launch any new product lines in more mature markets such as Zhengzhou and, once successful, we would seek to develop such new products in other cities. We believe this approach promotes efficiencies of scale which in turn result in accelerated project development cycles and greater bargaining power in the procurement of materials and services.

We intend to further strengthen our collaborative relationship with business parties. Because the cost of building materials constitutes a significant portion of our total construction costs, we intend to continue to leverage our strategic relationship with major raw material suppliers to obtain favorable purchase prices for building materials. We also intend to strengthen our collaboration with other established service providers, such as design firms, construction companies and building management companies, under existing long-term framework agreements in order to further improve our cost efficiency.

Further enhance our brand recognition in Henan

We place significant emphasis on developing our brand image and will continue to introduce quality real estate products and service offerings in order to enhance our reputation. We have in the past worked closely with leading domestic and international architecture and design firms, such as Centaland, The Architecture Design and Research Institute of Henan, and Shenzhen General Institute of Architectural Design and Research, in creating products that reflect our vision and assimilate recent trends, and we intend to continue to do so in the future. To ensure a high quality of products, we have entered into strategic partnerships with a number of established construction companies and suppliers, such as Zhongtian Construction Group Co., Ltd., China Construction Seventh Engineering Division Corp. and LG Chem, Ltd. We intend to continue to employ strict quality control standards and to closely monitor product quality and workmanship throughout the development process.

In addition, we intend to expand our membership base for our Jianye Club and to enlist more merchants to participate in the Jianye Club so that we may offer more value and special privileges to our customers. We believe that by providing value-added services and products to our existing and prospective customers, we will be able to further enhance our brand recognition and strengthen brand loyalty.

Finally, we have begun considering making green products for sustainable growth in the coming years. We have created a dedicated task force within our Company to continue working on green issues. We also made the Jianye Green Declaration earlier this year, setting specific targets for sustainable development in the next several years. In 2011, we will select two high-end residential projects to implement green and low-carbon technology. By 2012, we expect that not less than 10% of our products will be specifically furnished and decorated to minimize waste by end-users. We believe these measures will make our projects more attractive and further strengthen our brand in the medium to long term.

General Information

We were incorporated in the Cayman Islands on November 15, 2007, as an exempted company with limited liability. Our shares have been listed on the Stock Exchange of Hong Kong Limited since June 6, 2008 under stock code 832. Our principal place of business in the PRC is located at No. 88, Jianye City Garden, Jianye Road, Zhengzhou City, Henan, PRC. Our place of business in Hong Kong is located at Room 7701B-7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.centralchina.com. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes.”

Issuer	Central China Real Estate Limited (the “Company”).
Notes Offered	US\$300,000,000 aggregate principal amount of 12.25% Senior Notes due 2015 (the “Notes”).
Offering Price	100.0% of the principal amount of the Notes.
Maturity Date	October 20, 2015.
Interest	The Notes will bear interest from and including October 20, 2010 at the rate of 12.25% per annum, payable semi-annually in arrears.
Interest Payment Dates	April 20 and October 20 of each year, commencing April 20, 2011.
Ranking of the Notes	<p>The Notes are:</p> <ul style="list-style-type: none">• general obligations of the Company;• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);• guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations described under the caption “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “Description of the Notes — The Subsidiary Guarantees”;• effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefore; and• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries. <p>After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations described under “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral,” the Notes will:</p> <ul style="list-style-type: none">• be entitled to a first priority lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors (subject to any Permitted Liens);

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).
- rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by each Subsidiary Guarantor Pledgor securing the Notes (subject to priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary Guarantees Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

A Subsidiary Guarantee may be released in certain circumstances. See “Description of the Notes — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.”

The initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC.

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations or real property assets. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.”

Any future Restricted Subsidiary, as defined under “Description of the Notes — Definitions” (other than subsidiaries organized under the laws of the PRC), will provide a guarantee of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor promptly upon becoming a Restricted Subsidiary.

Ranking of Subsidiary Guarantees The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

After the pledge of the Collateral (as described below) by the Company and the Subsidiary Guarantor Pledgors, the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any permitted liens); and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee.

See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral.”

Ranking of JV Subsidiary Guarantees . . . A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor following a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in such Subsidiary Guarantor, where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of such Subsidiary Guarantor. No JV Subsidiary Guarantee exists as of the Original Issue Date.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefore;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment of such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

Security to be Granted The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (collectively, the “Collateral”) owned by the Company or the Subsidiary Guarantor Pledgors on a first priority basis in order to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes and the holders of other secured indebtedness including the

2009 Convertible Bonds with Warrants. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness.

The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur Permitted Pari Passu Secured Indebtedness which would be secured by the Collateral on a *pari passu* basis with the Notes and the Subsidiary Guarantees. See “Description of the Notes — Security.”

Intercreditor Agreement The Company, the Subsidiary Guarantor Pledgors, the Global Security Agent, the Trustee and the holders of the 2009 Convertible Bonds with Warrants, among others, will enter into an intercreditor agreement (the “Intercreditor Agreement”) on the date the Notes are issued. This agreement will provide that the security interests created over the Collateral will be shared on a *pari passu* basis among (i) the holders of the Notes, (ii) the holders of the 2009 Convertible Notes with Warrants and (iii) the holders of the Pari Passu Secured Indebtedness (as defined herein), if any, incurred after the date thereof.

Use of Proceeds The Company intends to use the proceeds of the offering of the Notes as follows:

- approximately US\$250 million of the net proceeds to fund new property projects (including land premium);
- approximately US\$35 million to repay existing indebtedness; and
- the remaining amount for general corporate purposes.

The Company may adjust our acquisition and development plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, the Company intends to invest such net proceeds in “Temporary Cash Investments” as defined under “Description of the Notes.”

Optional Redemption At any time on or after October 20, 2013, the Company at its option may redeem the Notes, in whole or in part, at the redemption prices set forth in “Description of the Notes — Optional Redemption” plus accrued and unpaid interest, if any, to the redemption date.

At any time prior to October 20, 2013, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) as of, and accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time prior to October 20, 2013, the Company may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 112.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

Repurchase of Notes Upon a
Change of Control Triggering

Event Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Redemption for Taxation Reason Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See “Description of the Notes — Redemption for Taxation Reasons.”

Covenants The Notes, the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes — Certain Covenants.”

Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”
Form, Denomination and Registration ..	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$100,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of The Depository Trust Company.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear and Clearstream, Luxembourg. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry; Delivery and Form.”
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about October 20, 2010 which the Company expects will be the fifth business day following the date of this offering memorandum referred to as “T+5.” You should note that initial trading of the Notes may be affected by the T+5 settlement. See “Plan of Distribution.”
Trustee	Deutsche Bank Trust Company Americas
Paying and Transfer Agent and Note Registrar	Deutsche Bank Trust Company Americas
Global Security Agent	Deutsche Bank Trust Company Americas
Listings	Approval in-principle has been received for the listing and quotation of the Notes on SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for as long as the Notes are listed on the SGX-ST.
Ratings	The Notes have been rated “B+” by Standard and Poor’s Rating Services and “B1” by Moody’s Investors Service. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes.
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors.”

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table presents our summary financial data. The summary consolidated financial data as of and for each of the years ended December 31, 2007, 2008 and 2009 (except for EBITDA data) have been derived from our audited consolidated financial statements as of such dates and for such years included elsewhere in this offering memorandum. The summary consolidated interim financial data for the seven months ended July 31, 2009 and 2010 and as of July 31, 2010 have been derived from our unaudited consolidated financial statements for such periods and as of such date included elsewhere in this offering memorandum.

Our financial statements have been prepared and presented in accordance with HKFRS. The summary financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Income Statement and Other Financial Data

	For the year ended December 31,				For the seven months ended July 31,		
	2007	2008	2009	2009	2009	2010	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Turnover	1,821,663	3,226,996	2,739,831	404,493	738,083	1,723,301	254,418
Cost of sales	(1,308,374)	(1,988,764)	(1,788,249)	(264,007)	(440,934)	(1,082,566)	(159,824)
Gross profit	513,289	1,238,232	951,582	140,486	297,149	640,735	94,594
Other revenue	22,709	30,752	41,964	6,195	32,357	17,013	2,512
Other net income	854	18,548	21,541	3,180	7,365	4,005	591
Selling and marketing expenses	(87,418)	(97,484)	(113,285)	(16,725)	(55,771)	(70,661)	(10,432)
General and administrative expenses	(94,533)	(152,867)	(164,708)	(24,316)	(80,836)	(100,220)	(14,796)
Other operating expenses	(11,729)	(20,271)	(19,292)	(2,848)	(8,770)	(9,448)	(1,395)
Profit from operations	343,172	1,016,910	717,802	105,972	191,494	481,424	71,074
Share of losses of joint ventures	(262)	—	—	—	—	(50)	(7)
Share of losses of associates	(2,315)	(2,983)	(2,831)	(418)	(2,631)	(1,697)	(250)
Finance costs	(48,873)	(53,144)	(66,080)	(9,756)	(27,788)	(49,898)	(7,367)
Profit before change in fair value of investment properties and income tax	291,722	960,783	648,891	95,798	161,075	429,779	63,450
Increase/(decrease) in fair value of investment properties	13,823	(1,400)	2,461	364	1,065	315	47
Profit before taxation	305,545	959,383	651,352	96,162	162,140	430,094	63,497
Income tax	(134,977)	(304,454)	(223,221)	(32,955)	(53,279)	(190,427)	(28,114)
Profit for the year/period	170,568	654,929	428,131	63,207	108,861	239,667	35,383
Attributable to:							
Equity shareholders of the Company	164,988	653,301	405,326	59,840	110,356	235,382	34,750
Non-controlling interests	5,580	1,628	22,805	3,367	(1,495)	4,285	633
Profit for the year/period	170,568	654,929	428,131	63,207	108,861	239,667	35,383
Earnings per share							
— Basic (RMB/US\$ cents)	8.25	32.67	20.27	2.99	5.52	11.77	1.74
— Diluted (RMB/US\$ cents)	8.25	32.67	20.15	2.97	5.52	11.77	1.74
Other financial data							
EBITDA ⁽¹⁾	344,498	992,559	690,434	101,932	164,413	472,399	69,743
EBITDA margin ⁽²⁾	18.9%	30.8%	25.2%	25.2%	22.3%	27.4%	27.4%

(1) *EBITDA consists of profit before interest income, income tax expense, depreciation and amortization and finance costs. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year or period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.*

(2) *EBITDA margin is calculated by dividing EBITDA by turnover.*

Summary Consolidated Balance Sheet Data

	As of December 31,				As of July 31,	
	2007 (RMB'000)	2008 (RMB'000)	2009 (RMB'000)	2009 (US\$'000)	2010 (RMB'000)	2010 (US\$'000)
Non-current assets						
Property, plant and equipment	155,084	211,209	244,163	36,047	302,940	44,724
Investment properties	270,283	254,584	264,400	39,034	267,300	39,463
Interest in associates	25,285	22,302	19,471	2,875	22,274	3,288
Interest in joint ventures	—	—	—	—	202,320	29,869
Other financial assets	15,400	15,400	15,800	2,333	70,800	10,453
Deferred tax assets	47,677	3,309	19,294	2,848	17,246	2,546
	513,729	506,804	563,128	83,137	882,880	130,343
Current assets						
Properties for sale	3,344,470	4,803,837	5,247,446	774,702	6,027,468	889,860
Trade and other receivables	145,163	223,103	275,625	40,691	619,960	91,527
Deposits and prepayments	615,754	343,568	1,146,004	169,189	1,313,345	193,895
Prepaid tax	35,203	27,520	42,474	6,271	106,271	15,689
Restricted bank deposits	504,601	409,797	506,989	74,849	707,442	104,443
Cash and cash equivalents	399,602	927,721	2,364,987	349,153	2,017,902	297,911
	5,044,793	6,735,546	9,583,525	1,414,855	10,792,388	1,593,325
Current liabilities						
Bank loans	1,001,273	488,790	982,154	144,999	1,023,228	151,063
Other loans	—	123,950	95,640	14,120	826,120	121,964
Trade and other payables and accruals	1,335,943	1,940,923	2,040,030	301,178	1,731,343	255,606
Receipts in advance	1,244,186	947,270	1,770,122	261,331	2,414,315	356,435
Tax payable	53,135	106,842	157,141	23,199	127,025	18,753
	3,634,537	3,607,775	5,045,087	744,827	6,122,031	903,821
Net current assets	1,410,256	3,127,771	4,538,438	670,028	4,670,357	689,504
Total assets less current liabilities	1,923,985	3,634,575	5,101,566	753,165	5,553,237	819,847
Non-current liabilities						
Bank loans	248,000	444,417	790,662	116,729	970,345	143,256
Other loans	136,430	36,790	372,880	55,050	468,870	69,221
Convertible bonds	—	—	551,288	81,389	556,658	82,182
Deferred tax liabilities	64,754	63,446	67,043	9,897	74,558	11,007
	449,184	544,653	1,781,873	263,065	2,070,431	305,666
NET ASSETS	1,474,801	3,089,922	3,319,693	490,100	3,482,806	514,181
CAPITAL AND RESERVES						
Share capital	114	179,637	179,637	26,521	179,637	26,521
Reserves	1,330,173	2,760,495	2,944,720	434,741	3,064,571	452,435
Total equity attributable to equity shareholders of the Company	1,330,287	2,940,132	3,124,357	461,262	3,244,208	478,956
Non-controlling interests	144,514	149,790	195,336	28,838	238,598	35,225
TOTAL EQUITY	1,474,801	3,089,922	3,319,693	490,100	3,482,806	514,181

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before making an investment decision in relation to the Notes. The risks and uncertainties described below may not be the only ones that exist. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, prospects, financial condition or results of operations. If any of the possible events described below occur, our business, prospects, financial condition or results of operations could be materially and adversely affected and the market price of the Notes may decline. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

Risks Relating to Our Business

We rely heavily on the performance of the property market in Henan.

All our past, current and planned property development projects are located in China's Henan. As of July 31, 2010, we had land reserves in Henan, including properties under development and properties held for future development, with an aggregate planned GFA of approximately 11.3 million sq.m. Because we intend to continue to focus our efforts in Henan, we will continue to depend heavily on the growth and performance of Henan's property market. Market demand for residential and commercial properties in Henan may be affected by various factors, including the regional economic environment and any macroeconomic control measures or other regulatory initiatives implemented by the provincial or the central governments. The property market in Henan is mainly driven by demand from end-users (as opposed to investment demand) and major indicators of Henan's property market lag significantly behind national averages. We cannot assure you that demand for new properties in Henan will continue to grow or will not decrease. Decreased demand is likely to affect the selling price of our properties as well as the time it will take us to pre-sell or sell the properties we have developed. Lower selling prices, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flows generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flows generated from the sale of our properties, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business is subject to increasing competition.

In recent years, an increasing number of property developers have begun property development in Henan and elsewhere in the PRC. Our major competitors include large national and regional property developers, some of which may have longer track records, greater financial, marketing and land bank resources, wider name recognition and superior economies of scale. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prohibited from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights has increased competition for available land as well as increased land acquisition costs.

The increasing number of property developers and the intensity of competition among property developers for land, financing, raw materials, skilled management and labor resources may result in increased costs for land acquisition, an over-supply of properties for sale, a decrease in property prices and a slowdown in the rate at which new property developments are approved by government authorities. We have formed a joint venture with 15 other local property developers and may be required to co-develop properties with other companies in order to enhance our competitiveness for certain large-scale projects. Such joint venture or co-development may not be successful and may have a lower return. Increased competition or other changes to market conditions may materially and adversely affect our business, prospects, financial condition and results of operations.

We may not have adequate capital resources to fund our land acquisitions and property developments.

The property development business is capital intensive. We principally fund our land acquisitions and property developments from a combination of internal funds, borrowings from banks, proceeds from sales and pre-sales of properties, shareholders' contributions and proceeds from the issuance of equity and debt securities, such as our IPO in 2008 and our offering of the 2009 Convertible Bonds with Warrants in 2009. Our ability to secure sufficient financing for land acquisitions and property developments depends on a number of factors that are beyond our control, including market conditions in debt and equity capital markets, investors' perception of our securities, lenders' perception of our creditworthiness, the PRC economy and PRC regulations that affect the availability and finance costs for real estate companies.

Various PRC regulations restrict our ability to raise capital through internal operation and external financing for land acquisitions and property developments, including without limitation, the following:

- pre-sale proceeds may only be used to fund the property development costs of the relevant projects to which they relate;
- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the payment of land premium;
- we cannot borrow from a PRC bank for a particular project unless we fund at least 35% of the estimated total capital required for that project from our own capital;
- we cannot borrow from a PRC bank for a particular project unless we first obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located;
- PRC banks are restricted from granting revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans.
- In November 2009, the PRC government raised the minimum down payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions; and
- In March 2010, the Ministry of Land and Resources of the PRC (the "MLR") stipulated that the minimum down payment of land premium of 50% must be paid within one month after the signing of a land grant contract and the rest of the land premium must be fully paid within one year after the signing of a land grant contract.

In addition, the People's Bank of China (the "PBOC") has raised the reserve requirement ratio for commercial banks three times during the first half of 2010. In October 2010, there was news that the PBOC would further increase the reserve requirement ratio for six commercial banks in China to 17.5% for a period of two months. Such increases may negatively impact the amount of funds available for lending to business, including us, by commercial banks in China.

Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to acquire new land reserves, commence new projects or continue the development of existing projects. Such failure may also increase our finance costs and have a material adverse effect on our business, prospects, financial condition and results of operations.

We may be adversely affected by the slowdown of China's economy caused by the recent global financial and economic crisis.

Since the second half of 2008, there has been a significant deterioration in the U.S. and global economies, which may worsen or be prolonged. In addition, liquidity has contracted significantly. China's economy has experienced a similar economic slowdown. The slowdown in economic activities in China has affected and may continue to affect consumer and business spending generally, which may result in decreased demand for real estate properties. As a result of the economic slowdown in China, certain of our projects that were scheduled to begin pre-sale in 2009 were delayed until 2010 and the average selling price of our properties declined. While the PRC government and governments around the world have taken remedial actions to address the economic slowdown and financial crisis, there can be no assurance that these actions will be effective. Although the property market in the PRC has rebounded significantly following the beginning of the financial crisis, it is difficult to determine the continuing impact of the global economic slowdown and financial crisis on the property industry in China due to its unprecedented nature. Although global economic conditions have improved, there is no assurance that such improved conditions can be sustained. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our business may be adversely affected by increases in interest rates and reserve requirement ratios.

We rely on borrowings to finance a substantial part of our project developments. Our borrowings primarily consist of loans from commercial banks in China. Many of our customers finance their purchases of our properties through mortgage loans. As of September 30, 2010, the benchmark one-year lending rate was 5.31% and reserve requirement ratios ranged from 13.5% to 17.0%. In October 2010, there was news that the PBOC would further increase the reserve requirement ratio for six commercial banks in China to 17.5% for a period of two months. Increases in bank reserve requirement may reduce the amount of funds available to commercial banks in the PRC to lend to businesses, including us, or to consumers to finance property purchases. Increases in interest rates increase our finance costs and increase mortgage rates. Moreover, interest rate volatility can make it difficult for us to make plans and implement our strategies and can deter potential home buyers. Any of these factors may have a material and adverse effect on our business, prospects, financial condition and results of operations.

Regulatory constraints limit our ability to obtain sites suitable for property development.

Our ability to identify and obtain suitable sites for future development is critical to our strategy but is subject to regulatory constraints and other factors outside our control. We cannot assure you that we will be able to identify and acquire suitable sites within our budget, or at all.

The PRC government controls substantially all new land supply in the PRC and regulates land sales in the secondary market. Our ability to acquire land use rights and the acquisition costs of such land use rights may be adversely affected by the PRC government's policies towards land supply, development and pricing. The PRC central and local governments regulate the means by which property developers, including us, obtain land sites for property developments. In particular, the central government introduced regulations in May 2002 and September 2007 that require government departments and agencies to grant state-owned land use rights for residential and commercial property development by public tender, auction or listing-for-sale. We believe these regulations have generally contributed to an increase in land acquisition costs. The regulatory climate may constrain our ability to pursue development opportunities in the future. See also "— Risks Relating to the Property Industry in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property development in the PRC."

The PRC government has implemented restrictions on the payment terms for land use rights.

In September 2007, the MLR issued a regulation requiring property developers to fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property

developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. In November 2009, the Ministry of Finance (the “MOF”), MLR, PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly issued the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知), which raises the minimum down payment on land premiums to 50% of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the MLR issued the Circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知), under which the minimum price for a given land grant is required to be equal to at least 70% of the benchmark price of the locality where the parcel of land is granted and the bidding deposit for such land grant is required to be equal to at least 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed and the down payment of 50% of the land premium (taking into account any deposits previously paid) is to be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. The implementation of the regulation requires property developers to maintain a higher level of working capital. This may have a material adverse effect on our cash flow, financial condition and business plans.

We face uncertainties when obtaining land sites through the acquisition of project companies.

In addition to increasing our land bank through public tender, auction and listing-for-sale, we have obtained land sites for some of our projects through acquisition of project companies that held the land use rights. For example, by acquiring substantially all of the equity interests in Artstar Investments through a series of transactions, we indirectly beneficially obtained the land use rights with respect to a parcel of land with an aggregate planned GFA of approximately 966,945 sq.m. which was owned by Luoyang Zhongya, an indirect wholly owned subsidiary of Artstar Investments. We may continue to obtain land sites through such acquisitions in the future. We cannot assure you that we have discovered, or will be able to discover prior to such acquisitions, all existing or potential liabilities of the target project companies. In addition, the government may change the permitted use of the land sites to which such project companies own the land use rights after our acquisitions, rendering the land sites unsuitable for property development purposes. If any of the undiscovered existing or potential liabilities of the acquired project companies are found to be material, or if we are unable to develop properties as intended, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may fail to obtain, or experience material delays in obtaining, necessary government approvals for our property developments.

The property industry in the PRC is heavily regulated by the PRC government. Property developers in China must comply with various requirements mandated by national and provincial 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, at various stages of the property development a property developer must obtain various permits, licenses, certificates and other approvals, including but not limited to land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion. Each approval may depend on the satisfaction of certain conditions. See “Regulation — Development of a Property Project.” We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to such approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the PRC property industry in general or new processes with respect to the regulatory approvals, or that our projects under development have obtained all necessary approvals. For example, construction of the Business Center of Zuo’An Fengqing Street as part of Phase 2 of Project Gentlest Lake has been commenced without a construction permit, while approval letters from local development and

reform authorities for Project Jianye Code International Garden and Project Gentlest Lake have not been obtained. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. If any of these occurs, we will not be able to keep up with our development schedule, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our customers may not be able to obtain mortgages on favorable terms, or at all, which could reduce our sales.

Many of our purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unattractive or unavailable to potential property purchasers.

From time to time, the PRC government issues laws, regulations or government policies regarding mortgage financing to regulate the PRC property market. In April 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, pursuant to such notice, interest rate for mortgage loans of second homes cannot be lower than 110% of the PBOC benchmark lending rate. In May 2010, the Ministry of Housing and Urban-Rural Development (the “MOHURD,” previously the Ministry of Construction), PBOC and the China Banking Regulatory Commission (the “CBRC”) jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser’s spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans. According to a notice jointly issued by PBOC and CBRC on September 29, 2010, the minimum down payment has been raised to 30% for all first home purchases, and commercial banks are required to suspend mortgage loans for purchases of a customer’s third or subsequent residential properties. See “Regulation — Transfer and Sale of Property — Financing property development and acquisition.” 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. In the event that mortgages become more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on mortgages may not be able to purchase our properties.

In line with industry practice, we provide guarantees to banks for mortgage loans they offer to purchasers of our properties. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties, if available, it may become more difficult for property purchasers to obtain mortgages from banks in connection with pre-sales. Such difficulties may inhibit pre-sales, which could materially and adversely affect our business, prospects, financial condition and results of operations.

Changes in laws and regulations in relation to pre-sale of properties may adversely affect our business, prospects, financial condition and results of operations.

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have a significant impact on our cash flow and liquidity position. In August 2005, the PBOC proposed in a report entitled “2004 Real Estate Financing Report (2004中國房地產融資報告)” that the practice of pre-selling uncompleted properties be discontinued, on the grounds that pre-sales create significant market risks and generate transactional irregularities. While such proposal has not been adopted by any PRC government authorities and has no mandatory effect, we cannot assure you that the PRC government will not ban or impose

material limitations on presales of uncompleted properties in the future. In April 2010, the MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). The notice urges local governments to enact regulations on the sale of completed commodity properties in light of local conditions and encourages property developers to sell completed commodity properties. Although no local government in Henan has promulgated any such regulation for sale of completed commodity properties, we cannot assure you that regulations of this nature will not be promulgated in the future. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance our property developments, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We are exposed to contractual and legal risks relating to pre-sales.

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we pre-sell units in a property development and we fail to complete that development, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, we may be liable to the relevant purchasers for late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If delays extend beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. A purchaser may also terminate a contract with us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. If a substantial number of purchasers claim against us for breach of contract or terminate their pre-sale contracts with us, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We cannot assure you that services performed by independent contractors will meet our quality standards and timing requirements or will be provided within our budget.

We engage independent contractors to provide various services, including but not limited to construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. We generally select independent contractors through an open tender process. Completion of our projects is therefore subject to the satisfactory performance of these independent contractors. We cannot assure you that we will be able to obtain services from independent contractors within our budget or at all, or that the services rendered by these independent contractors or subcontractors will be satisfactory or will meet our quality and safety standards and our project timelines. If the performance of any independent contractor is not satisfactory or is delayed, we may need to replace the contractor or take other actions to remedy the situation, which could inflate construction costs and delay completion. Any of these factors may have a material adverse effect on our business, prospects, financial condition and results of operations.

We are subject to rising costs for labor and materials, which we may not be able to pass on to construction contractors or to purchasers.

Construction and development costs account for the majority of our cost of sales and are one of the significant factors affecting our financial condition and results of operations. As a result of economic growth and the boom in the property industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have substantially increased in recent years. Under the terms of most of our construction contracts, contractors may adjust the contract prices upwards by 5% to cover increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. We do so in order to maintain good relations with our contractors, which allows us to repeatedly source good quality and service. We are also exposed to the price volatility of labor and construction materials to the extent that we periodically enter into new or renew existing construction contracts at different terms during the life of a project, which may span

several years, or if we choose to hire the construction workers directly or purchase construction materials directly from suppliers. Furthermore, we are unable to pass increased costs on to pre-sale purchasers when construction costs increase subsequent to the date of the pre-sale contract. If we are unable to pass on any increase in the cost of labor, construction materials or building equipment to either our construction contractors or to the purchasers of our properties, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may be subject to legal and business risks if we fail to obtain, renew or maintain qualification certificates.

Property developers must obtain a qualification certificate in order to carry out property development in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers (房地產開發企業資質管理規定) (the “Provisions on Administration of Qualifications”), newly established property developers must first apply for a provisional qualification certificate, which is valid for one year and can be renewed for a maximum of two additional years. A property developer is required to obtain a formal qualification certificate with an approved class before its provisional qualification certificate expires. Formal qualification certificates are subject to renewal on an annual basis. Government regulations require developers to fulfill all statutory requirements before obtaining or renewing their qualification certificates. See “Regulation — Qualifications of a Property Development Enterprise.” In addition, before commencing their business operations, entities engaged in property service are required to obtain qualification certificates in accordance with the Measures for Administration of Qualifications of Property Service Enterprises (物業服務企業資質管理辦法).

As of the date of this Offering Memorandum, we had 48 property development or property service companies that require qualification certificates, among which 12 project companies are in the process of applying for issuance or alternation of the qualification certificates. Each of our project companies is responsible for the annual submission of its renewal application and shall engage in property developments within its qualification certificate class. If any of our project companies is unable to meet the relevant qualification requirements, it will generally be given a grace period to rectify any non-compliance and may be subject to a penalty of between RMB50,000 and RMB100,000. Failure to ratify the non-compliance within the grace period could result in the revocation of the qualification certificate and the business license of the relevant project company. We cannot assure you that we will be able to renew our provisional qualification certificates, or obtain or renew our formal qualification certificates in a timely manner, or at all. If any of our project companies fails to do so, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may not be able to complete our development projects on time, within budget, or at all.

Property development projects require substantial capital expenditures prior to and during the construction period. One, two or several years may elapse before a project generates positive cash flows through pre-sales or sales. The progress and costs for a development project may be materially and adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from government agencies and authorities;
- changes in market conditions;
- delays in or increased costs of relocation of existing residents or demolition of existing structures;
- unforeseen engineering, design, environmental, structural or geographic problems;
- shortages or increased costs of materials, equipment, contractors and skilled labor;
- labor disputes;
- adverse influence caused by other construction projects not undertaken by the Company;
- construction accidents;
- natural catastrophes;

- adverse weather conditions;
- discovery of historic and cultural relics in the construction site; and
- changes in government policies or in applicable laws or regulations.

Any of these factors may lead to construction delays or increased costs, may require changes to planned specifications or may ultimately require us to abandon a project. If a pre-sold property development is not completed on time, the purchaser may be entitled to damages for late delivery or, under certain circumstances, may terminate the purchase contract and claim damages. Any such consequences may have a material adverse impact on our reputation, business, prospects, financial condition and results of operations.

Our efforts to expand into the hotel and commercial property sectors may not be successful.

We may expand our business into new market segments, such as hotel services and commercial property development. We cannot assure you that we will be able to leverage our residential property experience or our relationship with CapitaLand when entering new businesses. The expansion into new businesses may require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in a new environment, the difficulties of integrating new businesses into our existing businesses and the diversion of management resources and attention. Any failure to address these risks and uncertainties may materially and adversely affect our business, prospects, financial condition and results of operations.

We may not be able to successfully manage our growth.

We have been continuously expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Furthermore, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. We will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new locations, or difficulties in expanding our existing business and operations and in training an increasing number of personnel to manage and operate the expanded business. Our expansion plans may also adversely affect our existing operations and thereby have a material adverse effect on our business, prospects, financial condition and results of operations.

CapitaLand may lower its shareholding in our Company

As of July 31, 2010, CapitaLand held about 27% of our issued share capital, and CapitaLand is currently our second largest shareholder. Two appointees from CapitaLand sit on our board of directors as non-executive directors, and CapitaLand is also represented on our audit committee and our strategic and investment committee. On May 16, 2008, CapitaLand China and CapitaLand Cayman entered into a deed of non-competition undertaking with us with respect to CapitaLand's activities in China. See "Our Relationship with CapitaLand." We cannot assure investors that CapitaLand will not decrease its shareholding in our Company, in which case the non-competition undertakings may lapse and we may not be able to benefit from CapitaLand's extensive knowledge and expertise in the real estate industry.

The illiquid nature of, and the lack of alternative uses for, investment properties could limit our ability to respond to adverse changes in the performance of our properties.

Investment properties in general are relatively illiquid compared to other types of investments, such as securities. As such, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by many factors that are beyond our control, including general economic conditions, the availability of mortgage financing and interest rates. We cannot predict whether we will be able to sell any of our investment properties at the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us.

In addition, investment properties may not be readily convertible for alternative uses without substantial capital expenditure if the original function of such investment property became unprofitable due to competition, age, decreased demand, increased supply or other factors. Similarly, substantial capital expenditure may be required to correct defects or to make improvements before an investment property can be sold. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties may materially and adversely affect our business, prospects, financial condition and results of operations.

We may not be able to generate adequate returns on our properties held for long-term investment purposes.

Property development is subject to varying degrees of risk. The investment returns available from investments in real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximizing yields from properties held for investment also depends to a large extent on active ongoing management and maintenance of the properties. The ability to eventually dispose of investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting.

Changes in the fair values of our investment properties are unrealized

In accordance with HKAS40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, investment properties may be recognized by using either the fair value model or the cost model. We have chosen to recognize investment properties at their fair values because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.



Our investment properties under development as of December 31, 2007 and 2008 are stated at cost less impairment loss until construction or development is completed, at which time they are reclassified as investment properties at fair value. Any difference between the fair value of an investment property at completion and its previous carrying amount is recognized in our income statement in the year of completion. As a result of the adoption of amendments to HKAS40 for the year ended December 31, 2009, investment properties under development as of December 31, 2009 were carried at fair value. Any difference between the carrying value of investment properties under development as of December 31, 2008 and the fair value of investment properties under development as of December 31, 2009 was recorded in our consolidated income statement for the year ended December 31, 2009.

For the years ended December 31, 2007 and 2009, we recorded upward fair value adjustments of approximately RMB13.8 million and RMB2.5 million, respectively, on our investment properties and for the year ended

December 31, 2008, we recorded a downward fair value adjustment of approximately RMB1.4 million. For the seven months ended July 31, 2010 we recorded an upward fair value adjustment of RMB0.3 million.

In light of the above, prospective investors should be aware that upward fair value adjustments, which reflect, among other things, unrealized capital gains in the value of our investment properties at the relevant balance sheet dates and sometimes arise upon the reclassification of our properties as investment properties, are not profit generated from day-to-day rental income from our investment properties, are largely dependent on prevailing property market conditions, and do not generate cash inflow which can be contributed to payments of interest, principal or other amounts under the Notes unless such investment properties are disposed of and the capital gains are realized. We may not be able to dispose of investment properties at or near their recorded fair values, or at all. Moreover, prospective investors should be aware that property values are subject to market fluctuations, and we cannot assure you that we will be able to record favorable fair value adjustments on investment properties in the future. Should there be any severe downward fair value adjustments on our investment properties in the future, our business, prospects and results of operations may be materially and adversely affected.

Any failure to protect our brand and trademarks could have a negative impact on our business.

We believe our brands and trademarks are critical to our success. As of July 31, 2010, we were the registrant of 77 registered trademarks in the PRC and Hong Kong, including our “” and “” trademarks, and we had applied for the registration of 11 trademarks in the PRC and Hong Kong, including “建业” (*jian ye*). We have entered into trademark and trade name licensing agreements with Henan Construction Football Club Company Limited (河南建业足球俱乐部股份有限公司), Jianye Education Industry Company Limited (河南建业休闲娱乐有限公司), Henan Jianye Property Management Company Limited (河南物业管理有限公司) and Henan Jianye Entertainment Company Limited (河南建业休闲娱乐有限公司), all of which are independent third parties, in relation to their use of the “建业” (*jian ye*) name and certain of our trademarks. Under these agreements, we granted non-exclusive rights to use the “建业” (*jian ye*) name and certain of our trademarks in China on a royalty-free basis as part of our branding and marketing strategy. See “Business — Intellectual Property Rights.”

Any unauthorized use of our brands, trademarks, trade names and other intellectual property rights could harm our business. Historically, China has not protected intellectual property rights to the same extent as certain other countries do, and infringement of intellectual property rights continues to pose a serious risk to doing business in China. The application of laws governing intellectual property rights in China and abroad is uncertain and evolving. Moreover, monitoring and preventing unauthorized use of intellectual property is difficult. We cannot assure you that our trade names or trademarks will not be subject to infringement in the future or that our licensees will not use our trademarks or trade names inappropriately. Any unauthorized or inappropriate use of our trade names or trademarks could harm our market image and reputation. Any litigation or dispute in relation to our trade names or trademarks could result in substantial costs and the diversion of resources. If we are unable to adequately protect our brand, trademarks, trade names and other intellectual property rights, we may lose these rights and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may not be able to refinance our indebtedness as it matures.

We maintain significant indebtedness to finance our property development activities. As of July 31, 2010, our total consolidated indebtedness, representing our current and non-current bank and other loans and convertible bonds, was RMB3,845.2 million (US\$567.7 million), of which RMB1,849.3 million (US\$273.0 million) was due within one year. We cannot assure you that we will be able to refinance our indebtedness as it matures, in which case we will need to repay our debt with cash generated from operating activities or some other sources. We cannot assure you that our business will generate sufficient cash flow from operations to repay our borrowings as they mature. Repaying borrowings with cash generated by operating activities will divert our financial resources away from land acquisitions and development activities. Our Company and certain of our subsidiaries have

entered into loan agreements with various banks in the PRC or Hong Kong pursuant to which they have pledged shares, land use rights, buildings and other assets as security. We may lose part or all of this collateral if we cannot repay or refinance such borrowings as they mature, which could materially and adversely affect our business, prospects, financial condition and results of operations.

We may become liable if our customers default on mortgages we have guaranteed.

Like other PRC property developers, we guarantee customer mortgages for all of our pre-sold properties. These guarantees are not released until we either deliver vacant possession of the relevant property to the purchasers or the mortgage is fully repaid. We do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. If a purchaser defaults on a mortgage payment, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amounts outstanding from us as the guarantor of the mortgage.

As of July 31, 2010, our outstanding guarantees in respect of mortgage loans amounted to approximately RMB2,592.2 million (US\$382.7 million). The default rate on mortgages we have guaranteed averaged approximately 0% from 2007 through 2009. There can be no assurance that the default rate will not increase in the future. If substantial defaults occur and we are called upon to honor our guarantees, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our results of operations fluctuate from period to period.

Our results of operations fluctuate from period to period. Our turnover is significantly affected by the number of properties that we can complete and sell during any particular period, which may be limited due to the substantial capital required for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. In addition, several properties that we have developed or that are under development are large scale and are developed in multiple phases over the course of one to several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact our sales proceeds and, accordingly, our turnover for any given period.

Disputes with our joint venture partners may adversely affect our business.

We carry out a portion of our business through joint ventures and similar arrangements with third parties. In early 2010, we entered into a strategic cooperation agreement with Bridge Trust Co., Ltd. to set up trust funds focusing on investment in real estate markets. For more information, see “Description of Other Material Indebtedness — Other PRC Loans — Bridge Trust CCRE Trust.” We have also cooperated with Henan Coal & Chemical Group to establish a property development company, in which we had injected RMB10.0 million as of July 31, 2010 and we agreed to provide an additional RMB40.0 million as capital contribution. In addition, we founded a joint venture with 15 other property developers in Henan with the view to improving the overall competitiveness of real estate companies in Henan. As of July 31, 2010, we had injected RMB40.0 million into this joint venture. Our joint venture arrangements involve a number of risks, including:

- disputes with our partners in connection with the performance of their obligations under the relevant joint venture development agreement;
- disputes as to the scope of each party’s responsibilities under these arrangements;
- financial difficulties encountered by our partners affecting their ability to perform their obligations under the relevant joint venture property development agreement; or
- conflicts between the policies or objectives adopted by our partners and those adopted by us.

In the event that we encounter any of the foregoing issues with respect to our joint venture partners, our business, prospects, financial condition and results of operation may be materially and adversely affected.

We may be required to forfeit land if we fail to comply with the terms of land grant contracts.

Under PRC law, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, the designated use of the land and the schedule for commencing and completing the development, the relevant government authorities may issue a warning, impose a penalty and/or liquidated damages, or require us to forfeit the land. Any violation of the land grant contract may also restrict or prevent us from participating in future land bidding.

Under current PRC law, if we fail to commence the development of a parcel of land for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years from the relevant commencement date stipulated in the land grant contract, the land will be subject to forfeiture to the PRC government. Moreover, even if the commencement of the property development satisfies the stated requirements of the land use rights grant contract, if the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment the project, and development of the land is suspended continuously for more than one year without government approval, the land will still be treated as idle land. In the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) promulgated by the State Council in January 2008, the aforesaid policy was reinforced. This notice states, among other things, that the MLR and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the MLR issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as land idle for more than one year on its own reasons, have been completely rectified. We cannot assure you that circumstances leading to imposition of penalty, liquidated damages or forfeiture of our land will not arise in the future. If we are deemed as holding land idle for more than one year without cause or are required to forfeit land, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business, prospects, financial condition and results of operations.

Any failure to deliver individual property ownership certificates in a timely manner may result in claims against us.

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within one to two years after delivery of the property or within a timeframe set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for application and approval processes. Under current regulations, property developers are required to submit requisite governmental approvals in connection with their property developments, including a land use rights certificate, a certificate evidencing the construction has met the requirements of relevant planning permits, a certificate evidencing the construction has been completed and a property survey report, to the local bureau of land resources and housing administration after the receipt of the certificate of completion for the relevant properties and to apply for the general property ownership certificate in respect of these properties. Property developers are then required to submit, within regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax,

and the general property ownership certificate, to the bureau for review prior to the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. Property developers, including us, may become liable for monetary penalties to purchasers for late delivery of the individual property ownership certificates due to delays in the administrative approval processes or for other reasons beyond our control. We cannot assure you that we will be able to timely deliver all property ownership certificates in the future. We have been subject to liabilities as a result of late deliveries of property ownership certificates in the past, and cannot assure you we will not incur such liabilities in the future. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Certain Income Statement Items — Other net loss or income.”

The relevant PRC tax authorities may challenge the basis on which we calculate our corporate income tax obligations.

Pursuant to the Provisional Measures for Authorized Taxation Method of Real Estate Corporate Income Tax in Henan (河南省房地產企業所得稅核定徵收暫行辦法) promulgated by the Henan State Tax Bureau in June 2005, Corporate Income Tax (“CIT”) levied on real estate enterprises in Henan may be calculated using the “authorized taxation method” under which the standard statutory tax rate is assessed against their profit, which for these purposes is deemed to be a figure not lower than 10% of their revenue, depending on the location of the relevant subsidiaries, calculated in accordance with the applicable PRC tax regulations. CIT levied on real estate enterprises in Henan may also be calculated using the “audited taxation method.” Real estate enterprises can select the method of tax calculation they adopt, subject to the approval of the local tax authorities. Under the Provisional Measures for Authorized Taxation Method of Real Estate Corporate Income Tax in Henan, the local tax authorities will determine on a case-by-case basis which method to apply. In considering whether to approve an application to use the audited taxation method, the local tax authority will take into account primarily four prescribed factors: whether the real estate enterprise has systematic operational procedures in place, whether it has a proper financial system, whether it maintains accurate audited accounts and whether it has made timely tax payments. Other factors that the local tax authorities may consider when determining whether an enterprise should use the audited taxation method or the authorized taxation method include whether one of these methods would be likely to enhance the timeliness and convenience of the enterprise’s tax payments and whether it would lower the local authorities’ tax collection costs. Because an enterprise eligible for the audited taxation method is not obligated to apply for the adoption of that method of taxation and because the local tax authorities, in considering any application, may consider factors wholly extrinsic to the applicant, such as the convenience of tax collection, the use of the authorized taxation method by a real estate enterprise in Henan does not imply that the enterprise fails to satisfy any of the four criteria specified in the provisional measures.

We cannot assure you that the local tax authorities will agree to the basis on which we calculated the amounts of CIT payable by us. In addition, we cannot assure you that the tax rate applied under the audited taxation method or the authorized taxation method will not increase, or that the PRC government or local tax authorities will not completely abolish the authorized taxation method, or that we will be able to obtain approval in the future to use the authorized taxation method under which we paid a lower amount of CIT or to adopt this method for other members of our Group. If the tax authorities determine that a higher amount of CIT should be paid in the future, our net profits after tax and financial condition could be materially and adversely affected.

The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations.

Under PRC tax laws and regulations, our project companies in the PRC are subject to land appreciation tax (“LAT”) on the appreciation value of their land and the improvements on the land. Under the audited taxation method, all income from the sale or transfer of state-owned land use rights, and buildings and their attached facilities in the PRC, is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as

defined by relevant tax laws. Certain exemptions are available for the sale of ordinary residential houses if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. Under the Notice on Strengthening the Administration of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) promulgated by the Henan Local Tax Bureau in June 2004, the amount of LAT payable in Henan can be calculated using the authorized taxation method instead of the audited taxation method. Property developers are permitted to select the method of tax calculation they adopt, subject to the approval of the local tax authorities. Under the authorized taxation method, LAT liabilities are based on a fixed rate, which ranged from 0.7% to 3.5% of the proceeds from pre-sales of the properties during the three years ended December 31, 2007, 2008 and 2009, depending on the city in which the enterprise was located.

Property developers are normally required to file tax returns with the relevant authorities within seven days from the date the property sale or transfer contract is signed, and the LAT is payable within the period specified by the local tax authorities. However, with the approval of the relevant tax authorities, real estate enterprises may file tax returns for LAT on a regular basis if they have a consistently high volume of transactions which makes it impracticable to file a tax return for each sale or transfer. We have been approved by the relevant tax authorities to file tax returns for LAT on a monthly basis and to settle our LAT liabilities for each month prior to the tenth day of the immediately following month.

During recent years, however, the Henan Local Tax Bureau issued several notices and circulars with the intention to increase the LAT prepayment rates and strengthen the collection of LAT. For instances, in December 2006, the State Administration of Taxation (“SAT”) issued a Notice on Issues Relevant to Administration of Settlement of Land Appreciation Tax of Real Estate Development Enterprises (關於房地產開發企業土地增值稅清算有關問題的通知), which requires real estate developers to settle the final LAT payable in respect of their development project that meet certain criteria, such as 85% of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this Notice in consideration of local conditions. In addition, pursuant to the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知) (“the 2010 LAT Notice”) issued by the SAT in May 2010, the minimum LAT prepayment rate in central regions such as Henan is increased to 1.5%. Further, pursuant to the 2010 LAT Notice and the Circular on Specifying Several Measures Regarding Land Appreciation Tax (關於明確土地增值稅若干政策的通告) issued by the Henan Local Tax Bureau in March 2010 and effective as of May 2010, LAT should generally be calculated based on the audited taxation method with a prepayment rate ranging from 1.5% to 4.5%, and only under limited circumstances authorized taxation method with a rate ranging from 5% to 8% may be applied to LAT calculation.

During the three years ended December 31, 2007, 2008 and 2009 and the seven months ended July 31, 2010, we estimated and made provisions for the full amount of LAT for which we were liable in accordance with the relevant PRC tax laws and regulations, and we paid the provisions each year based on the audited taxation method or the authorized taxation method, as applicable. For the years ended December 31, 2007, 2008 and 2009 and the seven months ended July 31, 2010, we made LAT payments in the amount of approximately RMB39.1 million, RMB85.9 million, RMB74.8 million (US\$11.0 million) and RMB82.3 million (US\$12.1 million), respectively, and we made provisions for LAT in the amount of approximately RMB53.1 million, RMB96.1 million, RMB51.6 million (US\$7.6 million) and RMB92.8 million (US\$13.7 million), respectively. Before disallowance of the authorized taxation method in May 2010, LAT liabilities for 17 of our subsidiaries were calculated using the authorized taxation method for the whole or part of this period, while our remaining subsidiaries adopted the audited taxation method. The method of calculating LAT liability may differ for a subsidiary from year to year depending on application made by such subsidiary and approval granted by government authorities.

We cannot assure you that the local tax authorities will agree to the basis on which we calculated the amounts of LAT payable by us. In addition, we cannot assure you that the tax rate applied under the audited taxation method will not increase, or that the PRC government or local tax authorities will not completely abolish the authorized taxation method. If the tax authorities determine that a higher amount of LAT should be paid in the future, or if

the final settlement of our LAT obligations results in an amount greater than what we have already paid or made provision for, our business, prospects, financial condition and results of operations may be materially and adversely affected.

The discovery of cultural relics at a construction site could result in the delay or abandonment of a property development project.

Henan was an ancient political, economic and cultural center of China, and Henan is home to a large quantity of valuable cultural relics and historic sites. According to the Henan Provincial Cultural Relics and Archaeology Institute, the number of historic and cultural relics discovered underground in Henan is among the highest in China.

All the parcels of land we acquired or have contracted to acquire are located in Henan. Pursuant to the Cultural Relics Protection Law of the PRC (中華人民共和國文物保護法) and the Implementing Rules of the Cultural Relics Protection Law in Henan (河南省文物保護法實施辦法), if any cultural relics are discovered beneath our development sites during our construction process, such discovery must be immediately reported to the local department of cultural relics administration and construction must be immediately suspended or partly suspended for archaeological surveying. If an underground discovery is classified as “highly valuable” by archaeologists and a parcel of land is considered to be of public interest by reason of its historical or archaeological significance, the parcel of land has to be returned to the government and the entire project has to be relocated. Although the government is required to compensate a property developer for a parcel of land returned to it for archaeological purposes, there is no assurance that such compensation will be sufficient to cover the full amount of the land premium paid or any other expenses incurred by the developer in connection with the relevant site. For example, we discovered some historic relics at the beginning of our development of Code One City (Zhengzhou). Due to this discovery, we were forced to defer development of Code One City (Zhengzhou) until such discovery was classified as non-highly valuable in July 2010, whereupon we resumed our project development. If any historic relics are discovered under any of our construction sites in the future, the completion of our projects may be delayed or we may even be required to return the relevant parcels of land to the government, which may materially and adversely affect our business, prospects, financial condition and results of operations.

Our success depends on the continuing services of our chairman, senior management team and other key personnel.

Our future success depends heavily upon the continuing services of our executive directors and members of our senior management team, in particular, our chairman Mr. Wu Po Sum and our chief executive officer Mr. Wang Tianye. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, as competition in the PRC for senior management and key personnel with experience in property development is intense, and the pool of qualified candidates is very limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

Moreover, along with our growth and expansion, we will need to continue to employ, train and retain employees. If we cannot attract and retain suitable human resources, our business, prospects, financial condition and results of operations will be materially and adversely affected.

We may suffer losses arising from uninsured risks.

In line with industry practice, we do not maintain insurance for destruction of or damage to our property developments (whether they are under development or have been completed and are pending delivery). Similarly we do not carry insurance covering liabilities rising from tortious acts or other personal injuries on our project

sites. Losses incurred or payments we may be required to make in connection with any uninsured losses, damages and liabilities in the course of our operations and property development may have a material adverse effect on our business, prospects, financial condition and results of operations.

The total GFA of our projects under development or future property developments may exceed the original GFA authorized in the land grant contract.

When the PRC government grants the land use rights for a piece of land, it will specify in the land grant contract the designated use of the land and the total GFA that the developer may develop on this land. The actual GFA constructed, however, might have exceeded the total GFA authorized in the land grant contract due to various 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 additional land premium in respect of such excess GFA. In addition, if we fail to obtain the completion certificate due to such excess GFA, we will not be allowed to deliver the relevant properties to the purchasers or recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. If this occurs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

The ancillary facilities in residential projects developed by us may not be available to residents in the projects.

Many of the residential projects developed by us have ancillary facilities such as schools that enhance the value of properties in such projects by providing convenience and a better living environment to residents. We do not, however, operate or manage any of these facilities. We cannot assure you that these facilities will continue to operate or provide services to residents in the properties developed by us. In the event that some or all of these facilities cease to operate in the vicinity of our residential communities, our properties may become less attractive to potential purchasers, which will adversely affect our business to the extent that we have properties unsold or held for investment purposes in such project. In addition, our reputation may also be adversely affected as a result of the unavailability of such ancillary facilities, which may in turn materially and adversely our business, prospects, financial condition and results of operations.

We may be involved in legal and other proceedings arising out of our operations from time to time and may incur material losses and liabilities as a result.

We may be involved in disputes with various parties, including joint venture parties, management companies, purchasers, suppliers, contractors, construction workers and trustees, and these disputes may lead to legal and/or other proceedings and may result in substantial costs, delays in our development schedule, and the diversion of resources and management's attention, regardless of the outcome. As of July 31, 2010, third party claims against us primarily consisted of disputes with suppliers. We cannot assure you that we will not be involved in a larger number of proceedings or that such proceedings will not involve larger amounts in controversy in the future. The outcome of these proceedings may materially and adversely affect our operation and our reputation.

In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in pecuniary liabilities and cause delays to our property developments. Any such action by a PRC government authority would have a material adverse effect on our business, prospects, financial condition and results of operations.

We are subject to potential environmental liabilities that could result in substantial costs.

We are subject to a variety of laws and regulations concerning the protection of the environment. The particular PRC environmental laws and regulations which apply to any given project development site vary according to the location, the environmental condition, the present and former uses of the site, as well as adjacent properties.

The relevant property development project may be delayed due to our efforts to comply with environmental laws and regulations. In some environmentally-sensitive regions or areas, the compliance costs could be prohibitively expensive.

In addition, each property development project is required by the relevant PRC laws and regulations to undergo environmental assessments and to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. Failure to obtain such approval prior to construction may result in suspension of construction and a penalty amounting to RMB50,000 to RMB200,000 for each project.

We did not submit environmental assessment documents to the local authorities regarding the construction of any of our property projects, except for Green Garden (Zhumadian), Forest Peninsula (Jiaozuo), Forest Peninsula (Luohe), Code One City (Luohe), Green Garden (Nanyang), Taohua Island (Nanyang), phase IV of U-Town (Zhengzhou), Green Garden (Xinxiang), Forest Peninsula (Xinxiang Golden Dragon), phase I of Xiangyang Road, Zhengzhou Xiangsheng Garden, Code One City (Zhengzhou), Forest Peninsula (Xinyang), Jianye Dahong City Garden, Landmark (Zhengzhou), Forest Peninsula (Pingdingshan), Forest Peninsula (Hebi), Xuchang Project, phase I of Forest Peninsula (Zhoukou) and phase V of U-Town (Zhengzhou). In addition, we are in the process of applying for environmental approvals with the relevant local authorities with respect to the construction of Forest Peninsula (Anyang) and phase II of Forest Peninsula (Zhoukou). The environmental investigations conducted relating to each of our property development projects to date have not revealed any material environmental liability. However, it is possible that these investigations did not reveal all environmental liabilities and there may be environmental liabilities of which we are unaware that may have a material adverse effect on our business and financial condition. In addition, if more stringent regulations are adopted in the future, we cannot assure you that we will be able to fully comply with such regulations and the costs of compliance with these new regulations may be substantial. If any of these occur, our business, prospects, financial condition and results of operations may be materially and adversely affected.

The construction business and the property development business are subject to claims under statutory quality warranties.

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), all property development companies in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, prospects, financial condition and results of operations.

We may not be able to obtain land use rights certificates with respect to certain parcels of land in which we currently have various interests.

As of July 31, 2010, we had interests under land grant contracts or land use rights transfer agreements in 11 parcels of land, in respect of which we have not obtained the land use rights certificates. As of July 31, 2010, the relevant parcels of land occupied an aggregate site area of approximately 1.5 million sq.m. with an aggregate planned GFA of approximately 3.4 million sq.m. and were held for our development in the future pending obtaining of relevant land use rights certificates. If we fail to obtain the land use rights certificates with respect to these parcels of land in a timely manner, or at all, or if we are required to pay higher land premium, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We have limited interests in the allocated land for certain economic housing projects and may generate less revenue from the development of the project than if such project were otherwise developed on granted land.

We have been engaged by the Housing System Reform Commission Office of Kaifeng City to develop Jianye Dahong City Garden Project for economic housing. We have obtained allocated land use rights certificates for a parcel of land with an aggregate planned GFA of approximately 248,272 sq.m. Phase I of this housing project has been developed and sold and the revenue for Phase I sales has been recognized, while the Phase II is currently under construction, with an estimated completion date in 2011. However, we cannot transfer, lease, pledge or mortgage the property, except in the limited circumstances as allowed by relevant PRC laws and regulations. Under the engagement, we have to sell the economic housing at a fixed rate of return to a designated group of purchasers. The profitability of an economic housing project is generally lower than that of a project developed on granted land. The restrictions in respect of mortgaging or pledging the allocated land also limit our ability to finance the project through bank borrowings, and as a result we may have to finance part or all of the project by funds generated from our internal operation. Further, in the event that we develop more economic housing projects in the future, we may not be able to generate a level of return comparable to our historical return on our other project developments, or at all.

We may be deemed a PRC resident enterprise under Corporate Income Tax Law and thus be subject to PRC taxation on our worldwide income and be obligated to withhold PRC income tax on payment of interest and certain other amounts on Notes.

Under the PRC Corporate Income Tax Law (中華人民共和國企業所得稅法) (the “CIT Law”) enacted by the National People’s Congress in March 2007, enterprises established under the laws of foreign countries or regions whose “de facto management bodies” are located within the PRC are considered “resident enterprises” for PRC tax purposes and will generally be subject to the CIT at the rate of 25% on their global income. The implementation rules of the CIT Law define the term “de facto management body” as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外注冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 which specifies certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises or PRC enterprise groups. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for enterprises established offshore by private individuals or foreign enterprises like us. Substantially all of our management is currently located in the PRC. If we are treated as a PRC resident enterprise for income tax purposes, we will be subject to income tax at the rate of 25% on our global income. Furthermore, we would be obligated to withhold PRC income tax of up to 7%, subject to approval by the relevant tax authorities, on payments of interest and certain other amounts on the Notes to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest and other amounts on the Notes to investors that are non-resident enterprises located outside Hong Kong, because the interest and other amounts would be regarded as being derived from sources within the PRC. If we fail to make proper withholdings, we may be subject to fines and other penalties. Similarly, any gain realized by such non-resident enterprise investor from the transfer of the Notes would be regarded as being derived from sources within the PRC and accordingly would be subject to a 10% PRC tax.

We will be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC “resident enterprise.”

In the event we are treated as a PRC “resident enterprise” under the CIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under

“Description of the Notes — Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law, including any change or interpretation that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchasers or our or their respective advisors.

Facts and statistics in this offering memorandum relating to China’s economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their respective advisors and, therefore, we, the Initial Purchasers and our and their respective advisors make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Our controlling shareholders may take actions that are not in, or may conflict with, our best interests or the best interests of our creditors, including the holders of the Notes.

As of July 31, 2010, our controlling shareholder, Mr. Wu, through Joy Bright Investments Limited, beneficially owned 47.2% of our issued share capital as well as share options to subscribe for an additional 0.4% of our issued share capital. Mr. Wu is able to significantly influence most matters requiring our shareholders’ approval, including the election of directors and the approval of significant corporate transactions, including mergers and acquisitions. The interests of Mr. Wu may not be consistent with our interests or those of our creditors, including the holders of the Notes, and Mr. Wu may cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Notes.

We may not be able to successfully expand our business to other provinces in China.

Our property development experience has been limited to Henan. While we intend to continue to execute the Provincial Strategy, we may also selectively expand to other provinces when suitable opportunities arise. The property markets of other provinces may differ from that of Henan in terms of, among other factors, economic development, zoning, topography, culture, regulatory practices, the business practices and availability of suppliers and contractors, pricing, land acquisition procedures, the availability of bank financing for property developments, the availability of mortgages and customer tastes, behavior and preferences. Accordingly, our experience in Henan may not be transferable to other provinces, and we may be at a competitive disadvantage compared to property developers with a more established presence in such markets. An unsuccessful expansion into new markets may materially and adversely affect our business, prospects, financial condition and results of operations.

We are required to provide a guarantee on return in respect of the Bridge Trust CCRE Real Estate Investment Series Trust

With a view to setting up real estate trust funds with a total target size of RMB3,000 million, CCRE China entered into a strategic cooperation agreement with Bridge Trust Co., Ltd. (“Bridge Trust Co.”) on May 18, 2010 to establish the Bridge Trust CCRE Real Estate Investment Series Trust (the “Bridge Trust CCRE Trust”) with a total trust capital of RMB669.5 million. The Bridge Trust CCRE Trust has a maximum tenor of five years and its trust capital may be used by way of equity injection into our onshore project companies or investments in

national or company bonds and any other financial products as approved by the CBRC. Pursuant to the agreement, CCRE China has agreed to guarantee a minimum trust return of 7.5% and make up any shortfall of the actual trust income from the amount of guaranteed return. There can be no assurance that investment yields of the Bridge Trust CCRE Trust can achieve the minimum trust return as provided under the agreement and in such case we may need to incur additional expenses to make up such difference which might adversely affect our business, prospects, financial condition and results of operations. See “Description of Other Material Indebtedness — Other PRC Loans — Bridge Trust CCRE Trust” for more information.

Risks Relating to the Property Industry in the PRC

We are subject to regulations implemented by the PRC government, which may adopt further measures intended to prevent overheating of the property sector in the PRC.

Our business is subject to extensive governmental regulation. We are required to comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, taxation and foreign investment. Between 2004 and the first half of 2008, in response to concerns over the scale of the increase in property investment and the potential overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector, including:

- suspending or restricting land grants and development approvals for luxury villas and larger-sized units;
- charging idle land fees for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more;
- prohibiting any onward transfer of pre-sold properties before the ownership certificate is obtained;
- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 consist of units with a unit floor area of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits to adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC central government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon approval by the MOHURD (“70:90 rule”);
- tightening availability of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks;
- imposing or increasing taxes on short-term gains from second-hand property sales; and
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons.

Beginning in the second half of 2008, in order to combat the impact of the global economic slowdown, the PRC government adopted measures to encourage domestic consumption in the residential property market and support property development, which included the reduction of deed taxes for first-time purchasers of ordinary residential property of less than 90 square meters, the waiver of stamp duty fees for individuals who are purchasing or selling ordinary residential properties, and the exemption of land appreciation tax for individuals

who are selling ordinary residential properties. The PRC government is expected to revise or terminate such favorable policies according to changes in market conditions. For example, in December 2009 and January 2010, the PRC government adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities. In December 2009, the PRC government abolished certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners. In January 2010, the PRC government imposed more stringent requirements on mortgage loans by requiring purchasers who have already purchased a residence through mortgage financing to pay a minimum down payment of 40% of the purchase price for any additional residences. In April 2010, the State Council issued the Notice on Firmly Preventing Property Price from Increasing Too Rapidly in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), which, among other things, provides that the minimum down payment for the first property that is larger than 90 sq.m. shall be not less than 30% of the purchase price, down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not lower than 110% the benchmark lending rate published by the PBOC. In certain areas where commodity residential properties are in short supply and prices rise too quickly, the banks may suspend mortgage loans for the third or further properties bought by mortgage applicants or to non-residents who cannot provide any proof of tax or social insurance payment for more than one year. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond. See "Regulation — Transfer and Sale of Property — Financing property development and acquisition." We cannot assure you that the PRC government will not adopt 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 real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our investments in the PRC are subject to the PRC government's control over foreign investment in the property sector.

The PRC government imposes restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. For example, in May 2007, the PRC Ministry of Commerce ("MOFCOM") and the State Administration of Foreign Exchange ("SAFE") jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which, among other things, provides that:

- foreign investment in the property sector in the PRC relating to luxury properties should be strictly controlled;
- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, either (i) both the land use rights certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;
- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities; and
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those foreign-invested real estate enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspection.

These restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material adverse effect on our business, prospects, financial condition and results of operations.

The PRC government has imposed restrictions on the ability of PRC property developers to receive offshore funds.

In July 2007, the General Affairs Department of SAFE issued the Circular on Distribution of List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知). The notice stipulates, among other things, (i) that SAFE will no longer process foreign debt registrations or applications for the purchase of foreign exchange submitted by real estate enterprises with foreign investment who obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or alteration of such registrations) or applications for the sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment which obtained approval certificates from local government commerce departments on or after June 1, 2007 but which did not register with MOFCOM. This new regulation prohibits foreign-invested real estate companies from raising funds offshore for the purpose of injecting such funds into the companies by way of shareholder loans. This notice, however, does not restrict property developers from receiving foreign capital by way of increasing the registered capital of existing foreign-invested companies or through the establishment of new foreign-invested real estate companies, provided that such increase of registered capital or establishment of new company has been duly approved by MOFCOM or its local branches and registered with MOFCOM.

As a foreign-invested PRC property developer, we are subject to this notice. We intend to repatriate to China offshore funds that we may raise in this offering by increasing the registered capital of our existing subsidiaries or by establishing new subsidiaries. However, we cannot assure you that we will be able to obtain in a timely manner, if at all, all necessary foreign-exchange approval certificates for the deployment of offshore funds, or that we will be able to obtain in a timely manner, if at all, any registration of new foreign-invested subsidiaries or additional registered capital increases in the future. Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to repatriate to China the funds raised in this offering. If we fail to repatriate to China any or all of the net proceeds raised in this offering, our liquidity and our ability to fund and expand our business could be adversely and materially affected.

In addition, any capital contributions made to our operating subsidiaries in China are also subject to the foreign investment regulations and foreign exchange regulations in the PRC. For example, in accordance with a circular promulgated by SAFE in August 2008 with respect to the administration of conversion of foreign exchange capital contribution of foreign invested enterprises into Renminbi (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contribution can only be applied to the activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition. Pursuant to this offering memorandum, we may encounter difficulties in increasing the capital contribution to our project companies and subsequently converting such capital contribution into Renminbi for equity investment or acquisition in China. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make capital contributions to our project companies as their general working capital or to fund their operations may be negatively affected, which could materially and adversely affect our business, prospects, financial condition and results of operations.

We are heavily dependent on the performance of the property market in China, which is at a relatively early stage of development.

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility

in market conditions and fluctuation in property prices. It is extremely difficult to predict how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond our control, may affect the development of the property market. The level of uncertainty is increased by the limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for residential real estate may discourage investors from acquiring new properties as resale is not only difficult, but can also be a long and costly process. The limited amount of property 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 property developments.

Increase in resettlement costs and the inability to reach resettlement agreements associated with certain property developments may materially and adversely affect our business, prospects, financial condition and results of operations.

Land parcels acquired by property developers for future development may have existing buildings or other structures or be occupied by third parties. In accordance with the City Housing Resettlement Administration Regulations (城市房屋拆迁管理条例) and applicable local regulations, 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, directly or indirectly through the local government, and to provide compensation for their relocation and resettlement. The compensation payable by the property developer is calculated in accordance with a pre-set formula determined by the relevant provincial authorities, which may be subject to change. If such compensation formula is changed and the levels of compensation increased, land acquisition costs for property developers may be subject to substantial increases. In addition, if property developers or the local government fail to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay a project's timetable. Such delays may lead to an increase in cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects. If we experience an increase in resettlement costs or experience delay due to our inability to reach a resettlement agreement, our business, prospects, financial condition and results of operations may be materially and adversely affected.

There is a lack of reliable and updated information on property market conditions in Henan and in the PRC generally.

We are subject to property market conditions in the PRC generally and, in particular, in Henan. Currently, reliable and up-to-date information on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed or the availability of land and buildings suitable for development and investment is not generally available in the PRC and in Henan. Consequently, our investment and business decisions may not always have been, and may not in the future be, based on accurate, complete and timely information. Inaccurate information may adversely affect our business decisions, which could materially and adversely affect our business, prospects, financial condition and results of operations.

Risks Relating to the PRC

Changes in PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, prospects, financial condition and results of operations.

Substantially all of our business and operations are conducted in China. Accordingly, our business, prospects, financial condition and results of operations are, to a significant degree, subject to economic, political and social developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign

exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, prospects, financial condition and results of operations may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our business and operations are primarily conducted in China and governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulation to provide protection to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. As many of these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on us and on your investment.

The exchange rates between the Renminbi, the U.S. dollar and other foreign currencies is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 0.5% each day. As of October 1, 2010, this change in policy had resulted in the value of the Renminbi appreciating against the U.S. dollar by approximately 23.7% compared to July 21, 2005. There remains significant international pressure on the PRC government to adopt a more flexible currency policy. On June 20, 2010, the PBOC announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currency.

Substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi and we rely on dividends paid by our operating subsidiaries which in turn will be used by us to pay interest to the Noteholders. To the extent that we need to convert the proceeds from this offering and future financing into the Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments of interest and certain other amounts on the Notes or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

Furthermore, there are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions

to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging arrangements permitted under the Indenture, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

Governmental control over currency conversion may limit our ability to utilize our cash effectively and potentially affect our ability to pay interest to Noteholders.

Substantially all of our turnover is denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our Company's income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay interest to Noteholders. In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

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

A significant portion of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors and officers reside in the PRC, and the assets of our Directors and officers may also be located in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our Directors and officers, including with respect to matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements. Our PRC legal adviser has advised us that the PRC does not have treaties providing for the reciprocal acknowledgement and enforcement of judgments of courts with the United States and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in any of these jurisdictions may be difficult.

Our business may be adversely affected by a renewed outbreak of SARS, H1N1, avian influenza or any other highly contagious disease.

In March 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS"), a highly contagious disease, in China and some other countries. A renewed outbreak of SARS in China or other neighboring countries, or an outbreak of another highly contagious disease, will affect China's overall economy. This may in

turn significantly affect our business. In addition, if an employee of any of our subsidiaries were to contract SARS or another highly contagious disease, we may need to restrict or even suspend the operations of such company. In recent years, an epidemic of highly pathogenic avian influenza has affected humans throughout Asia and is considered to be a public health concern. There also have recently been a number of documented cases of humans found to have contracted H1N1 in the PRC. If H1N1 or avian influenza infections or any other serious contagious disease continue to escalate, their effects on the PRC economy could be similar to or worse than those experienced as a result of the SARS outbreak.

Risks Relating to the Notes

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of July 31, 2010, our PRC subsidiaries had bank and other loans in the amount of approximately RMB2,846.5 million (US\$420.2 million), capital commitments in the amount of approximately RMB12,835.4 million (US\$1,894.9 million) and contingent liabilities arising from guarantees in the amount of approximately RMB2,592.2 million (US\$382.7 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of a 20% to 49.9% equity interest in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

We have incurred significant indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial condition and could further intensify the risks associated with our leverage.

We have significant indebtedness outstanding. As of July 31, 2010, our consolidated current bank loans and other loans and our consolidated non-current bank loans, other loans and convertible bonds amounted to approximately RMB1,849.3 million (US\$273.0 million) and RMB1,995.9 million (US\$294.7 million), respectively. In addition, as of July 31, 2010, our consolidated capital commitments were approximately RMB12,835.4 million (US\$1,894.9 million). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Capital Commitments.”

In addition, we and our subsidiaries may from time to time incur substantial additional indebtedness. Although the Indenture limits us and our subsidiaries from incurring additional debt, these limitations are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of such indebtedness and leverage could intensify. The amount of our indebtedness could have important consequences to the Noteholders. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry condition;
- require use to dedicate a substantial portion of our cash flow from operations to servicing and repaying indebtedness, reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in the businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, our ability to borrow additional funds; and
- increase the cost of additional financing.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing existing indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms.

Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.

The Indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;

- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, starting from January 1, 2008, dividends for the year 2008 and onward paid by our PRC

subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such restrictions tax rate may be lowered to 5%. However, according to a circular issued by the SAT in October 2009, tax treaty benefits will be denied to “conduit” or shell companies without business substance. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures.

In light of land prices, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing property developments jointly with other property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the indenture governing the Notes. Although the indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications. See the definition of “Permitted Investments” in “Description of the Notes.”

We may not be able to repurchase the Notes upon a Change of Control Triggering Event.

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See “Description of the Notes.”

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indenture also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar.

Because our Company is incorporated, and the JV Subsidiary Guarantors (if any) may be incorporated, under the laws of the Cayman Islands, an insolvency proceeding relating to us or any such JV Subsidiary Guarantor, even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our Subsidiary Guarantors and other JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the British Virgin Islands or Hong Kong and the insolvency laws of the British Virgin Islands and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

A trading market for the Notes may not develop, and there are restrictions on resale of the Notes.

The Notes are a new issue of securities for which there is currently no trading market. Although we have received approval in-principle for the listing and quotation of the Notes on the Official List of the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See the section entitled “Transfer Restrictions.” We cannot predict whether an active trading market for the Notes will develop or be sustained.

The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future.

The Notes have been assigned a rating of “B+” by Standard and Poor’s Ratings Services and “B1” by Moody’s Investors Service. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain transactions that constitute “connected transactions” under the Listing Rules will not be subject to the “Limitation on Transactions with Shareholders and Affiliates” covenant.

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that a “connected transaction” exceeding the applicable de minimis value thresholds will require prior approval of the independent shareholders of such listed company. However, the “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes does not capture

transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officer's certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions, which might be material to the financial information contained in this offering memorandum.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to debt securities listed in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

The transfer of the Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the guarantee of the Notes have not been registered under, and we are not obligated to register the Notes or the guarantee of the Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See the section entitled "Transfer Restrictions." We have not agreed to or otherwise undertaken to register the Notes and the guarantee of the Notes (including by way of an exchange offer), and we have no intention to do so.

The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through the DTC and its participants, including Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme*, Luxembourg ("Clearstream"). Interests in the global notes will trade in book entry form only, and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of Notes. The custodian for the DTC will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent which will make payments to DTC. Thereafter, these payments will be credited to

accounts of participants (including Euroclear and Clearstream) that hold book entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the custodian for DTC, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book entry interest, you must rely on the procedures of DTC, Euroclear and Clearstream, and if you are not a participant in the DTC, Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the notes. Instead, if you own a book entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from the DTC, Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book entry interests, if you own a book entry interest, you will be restricted to acting through the DTC, Euroclear and Clearstream. The procedures to be implemented through the DTC, Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the notes.

Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral

Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of PRC or their future PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries. See “Description of the Notes — The Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries. Moreover, the charge over the shares of the offshore subsidiaries of the Company (the “Collateral”) will not include the capital stock of our existing or future Non-Guarantor Subsidiaries, including our PRC subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so. See “— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

The holders of the 2009 Convertible Bonds with Warrants have a right to share any security interests, guarantees, indemnities and other arrangements that the Company creates or permit to subsist in respect of any debt securities issued thereafter. Therefore, unless such right is waived, any future Subsidiary Guarantees that guarantee the Notes may have to be shared with the 2009 Convertible Bonds with Warrants, which may further decrease the funds available to satisfy our financial obligations under the Notes.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions including a cap on the non-guaranteed portion of the assets of JV Subsidiary

Guarantors). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company.

The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the Cayman Islands, the British Virgin Islands, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held

unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The pledge of certain Collateral may in some circumstances be voidable.

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under the section entitled “— The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees” above.

If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgors.

The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other pari passu secured indebtedness.

The Collateral will consist only of the capital stock of the initial Subsidiary Guarantors and may in the future include our proportional interest in the JV Subsidiary Guarantors (if any). The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The ability of the Trustee, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise will be subject in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or holders of the Notes will be able to enforce the security interest.

The value of the Collateral in the event of liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By its nature, the Collateral, which consists solely of the capital stock of any existing or future Subsidiary Guarantor, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral will be shared on a pari passu basis by the holders of the Notes and the lenders of certain other indebtedness such as the 2009 Convertible Bonds with Warrants and may be shared on a pari passu basis with holders of other indebtedness ranking pari passu with the Notes that we may issue in the future. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes or other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

The pledge of certain Collateral may be released under certain circumstances.

In the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$290.5 million. We intend to use approximately US\$250 million of the net proceeds to fund new property projects (including land premium), approximately US\$35 million to repay existing indebtedness and the remaining amount for general corporate purposes. The existing indebtedness that we intend to repay with the net proceeds from this offering are the loan agreement with ICBC (Asia) entered into on June 7, 2008 (the outstanding principal amount of which is HK\$140 million), the dividend loan facility with ICBC (Asia) entered into on May 20, 2010 (the outstanding principal amount of which is HK\$50 million) and the revolving loan facility with China Construction Bank, Hong Kong Branch entered into on September 23, 2009 (the outstanding principal amount of which is US\$10 million). See “Description of Other Material Indebtedness.”

We may adjust our acquisition and development plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under “Description of the Notes — Definitions”).

EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by the PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On May 18, 2007, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was to be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. On June 20, 2010, the PBOC announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate. From July 21, 2005 to October 1, 2010, the value of the Renminbi appreciated by approximately 23.7% against the U.S. dollar. The PRC government has made and in the future may make further adjustments to the exchange rate system.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

<u>Period</u>	<u>Noon buying rate</u>			
	<u>Period end</u>	<u>Average⁽¹⁾</u>	<u>High</u>	<u>Low</u>
		<u>(RMB per US\$1.00)</u>		
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9477	7.2946	6.7800
2009	6.8259	6.8307	6.8470	6.8176
January 2010	6.8268	6.8269	6.8295	6.8258
February 2010	6.8258	6.8285	6.8330	6.8258
March 2010	6.8258	6.8262	6.8270	6.8254
April 2010	6.8247	6.8256	6.8275	6.8229
May 2010	6.8245	6.8275	6.8310	6.8245
June 2010	6.7815	6.8184	6.8323	6.7815
July 2010	6.7735	6.7762	6.7807	6.7709
August 2010	6.8069	6.7873	6.8069	6.7670
September 2010	6.6905	6.7396	6.8102	6.6869

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

On October 1, 2010, the noon buying rate for U.S. dollars in New York City for cable transfers in Renminbi was US\$1.00 = RMB 6.6895 as certified for customs purposes by the Federal Reserve Bank of New York.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated short-term borrowings and capitalization as of July 31, 2010 on an actual basis and on an adjusted basis to give effect to the issuance of the Notes and receipt of the net proceeds from this offering after deducting the underwriting discounts and commissions and other estimated expenses of this offering payable by us but before the application of any of such net proceeds. The following table should be read in conjunction with our interim unaudited consolidated financial statements and related notes for the seven months ended July 31, 2010 included in this offering memorandum.

	As of July 31, 2010			
	Actual		As adjusted ⁽⁴⁾	
	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Short-term borrowings ⁽¹⁾				
Bank loans due within one year	1,023,228	151,063	1,023,228	151,063
Other loans due within one year	826,120	121,964	826,120	121,964
Total short-term borrowings	1,849,348	273,027	1,849,348	273,027
Long-term borrowings ⁽²⁾				
Bank loans	970,345	143,256	970,345	143,256
Other loans	468,870	69,221	468,870	69,221
Convertible Bonds	556,658	82,182	556,658	82,182
Notes to be issued	—	—	1,967,702	290,500
Total long-term borrowings	1,995,873	294,659	3,963,575	585,159
Total equity	3,482,806	514,181	3,482,806	514,181
Total capitalization⁽³⁾	5,478,679	808,840	7,446,381	1,099,340

Notes:

- (1) Short-term borrowings include the current portion of long-term borrowings.
- (2) Long-term borrowings exclude the current portion of long-term borrowings.
- (3) Total capitalization includes total long-term borrowings plus total equity.
- (4) The as-adjusted data shown above does not take into account the application of any of the net proceeds to repay existing indebtedness.

As of July 31, 2010, our total outstanding borrowings were approximately RMB3,845.2 million (US\$567.7 million) and as of July 31, 2010, we had bank balances and cash (excluding restricted bank deposits) in the amount of approximately RMB2,017.9 million (US\$297.9 million).

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since July 31, 2010.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents our summary financial data. The summary consolidated financial data as of and for each of the years ended December 31, 2007, 2008 and 2009 (except for EBITDA data) have been derived from our audited consolidated financial statements as of such dates and for such years included elsewhere in this offering memorandum. The summary consolidated interim financial data for the seven months ended July 31, 2009 and 2010 and as of July 31, 2010 have been derived from our unaudited consolidated financial statements for such periods and as of such date included elsewhere in this offering memorandum.

Our financial statements have been prepared and presented in accordance with HKFRS. The summary financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Income Statement and Other Financial Data

	For the year ended December 31,				For the seven months ended July 31,		
	2007	2008	2009	2009	2009	2010	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Turnover	1,821,663	3,226,996	2,739,831	404,493	738,083	1,723,301	254,418
Cost of sales	(1,308,374)	(1,988,764)	(1,788,249)	(264,007)	(440,934)	(1,082,566)	(159,824)
Gross profit	513,289	1,238,232	951,582	140,486	297,149	640,735	94,594
Other revenue	22,709	30,752	41,964	6,195	32,357	17,013	2,512
Other net income	854	18,548	21,541	3,180	7,365	4,005	591
Selling and marketing expenses	(87,418)	(97,484)	(113,285)	(16,725)	(55,771)	(70,661)	(10,432)
General and administrative expenses	(94,533)	(152,867)	(164,708)	(24,316)	(80,836)	(100,220)	(14,796)
Other operating expenses	(11,729)	(20,271)	(19,292)	(2,848)	(8,770)	(9,448)	(1,395)
Profit from operations	343,172	1,016,910	717,802	105,972	191,494	481,424	71,074
Share of losses of joint ventures	(262)	—	—	—	—	(50)	(7)
Share of losses of associates	(2,315)	(2,983)	(2,831)	(418)	(2,631)	(1,697)	(251)
Finance costs	(48,873)	(53,144)	(66,080)	(9,756)	(27,788)	(49,898)	(7,367)
Profit before change in fair value of investment properties and income tax	291,722	960,783	648,891	95,798	161,075	429,779	63,450
Increase/(decrease) in fair value of investment properties	13,823	(1,400)	2,461	364	1,065	315	47
Profit before taxation	305,545	959,383	651,352	96,162	162,140	430,094	63,497
Income tax	(134,977)	(304,454)	(223,221)	(32,955)	(53,279)	(190,427)	(28,114)
Profit for the year/period	170,568	654,929	428,131	63,207	108,861	239,667	35,383
Attributable to:							
Equity shareholders of the							
Company	164,988	653,301	405,326	59,840	110,356	235,382	34,750
Non-controlling interests	5,580	1,628	22,805	3,367	(1,495)	4,285	633
Profit for the year/period	170,568	654,929	428,131	63,207	108,861	239,667	35,383
Earnings per share							
— Basic (RMB/US\$ cents)	8.25	32.67	20.27	2.99	5.52	11.77	1.74
— Diluted (RMB/US\$ cents)	8.25	32.67	20.15	2.97	5.52	11.77	1.74
Other financial data							
EBITDA ⁽¹⁾	344,498	992,559	690,434	101,932	164,413	472,399	69,743
EBITDA margin ⁽²⁾	18.9%	30.8%	25.2%	25.2%	22.3%	27.4%	27.4%

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- (1) *EBITDA consists of profit before interest income, income tax expense, depreciation and amortization and finance costs. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year or period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.*
- (2) *EBITDA margin is calculated by dividing EBITDA by turnover.*

Summary Consolidated Balance Sheet Data

	As of December 31,				As of July 31,	
	2007 (RMB'000)	2008 (RMB'000)	2009 (RMB'000)	2009 (US\$'000)	2010 (RMB'000)	2010 (US\$'000)
Non-current assets						
Property, plant and equipment	155,084	211,209	244,163	36,047	302,940	44,724
Investment properties	270,283	254,584	264,400	39,034	267,300	39,463
Interest in associates	25,285	22,302	19,471	2,875	22,274	3,288
Interest in joint ventures	—	—	—	—	202,320	29,869
Other financial assets	15,400	15,400	15,800	2,333	70,800	10,453
Deferred tax assets	47,677	3,309	19,294	2,848	17,246	2,546
	513,729	506,804	563,128	83,137	882,880	130,343
Current assets						
Properties for sale	3,344,470	4,803,837	5,247,446	774,702	6,027,468	889,860
Trade and other receivables	145,163	223,103	275,625	40,691	619,960	91,527
Deposits and prepayments	615,754	343,568	1,146,004	169,189	1,313,345	193,895
Prepaid tax	35,203	27,520	42,474	6,271	106,271	15,689
Restricted bank deposits	504,601	409,797	506,989	74,849	707,442	104,443
Cash and cash equivalents	399,602	927,721	2,364,987	349,153	2,017,902	297,911
	5,044,793	6,735,546	9,583,525	1,414,855	10,792,388	1,593,325
Current liabilities						
Bank loans	1,001,273	488,790	982,154	144,999	1,023,228	151,063
Other loans	—	123,950	95,640	14,120	826,120	121,964
Trade and other payables and accruals	1,335,943	1,940,923	2,040,030	301,178	1,731,343	255,606
Receipts in advance	1,244,186	947,270	1,770,122	261,331	2,414,315	356,435
Tax payable	53,135	106,842	157,141	23,199	127,025	18,753
	3,634,537	3,607,775	5,045,087	744,827	6,122,031	903,821
Net current assets	1,410,256	3,127,771	4,538,438	670,028	4,670,357	689,504
Total assets less current liabilities	1,923,985	3,634,575	5,101,566	753,165	5,553,237	819,847
Non-current liabilities						
Bank loans	248,000	444,417	790,662	116,729	970,345	143,256
Other loans	136,430	36,790	372,880	55,050	468,870	69,221
Convertible bonds	—	—	551,288	81,389	556,658	82,182
Deferred tax liabilities	64,754	63,446	67,043	9,897	74,558	11,007
	449,184	544,653	1,781,873	263,065	2,070,431	305,666
NET ASSETS	1,474,801	3,089,922	3,319,693	490,100	3,482,806	514,181
CAPITAL AND RESERVES						
Share capital	114	179,637	179,637	26,521	179,637	26,521
Reserves	1,330,173	2,760,495	2,944,720	434,741	3,064,571	452,435
Total equity attributable to equity shareholders of the Company . . .	1,330,287	2,940,132	3,124,357	461,262	3,244,208	478,956
Non-controlling interests	144,514	149,790	195,336	28,838	238,598	35,225
TOTAL EQUITY	1,474,801	3,089,922	3,319,693	490,100	3,482,806	514,181

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum.

Our consolidated financial statements were prepared in accordance with HKFRS. In this section of the offering memorandum, references to "2007," "2008" and "2009" refer to our financial years ended December 31, 2007, 2008 and 2009, respectively.

Overview

We are the leading residential property developer in Henan province, according to the China Real Estate Top 10 Research Team based on a number of factors including scale, profitability, financial stability and growth potential. See "Business — Awards and Certificates." With an operating history of 18 years in property development in Henan, we have established a well-recognized brand in Henan's residential property market and completed an aggregate GFA of 4.6 million sq.m. between 1992 and July 31, 2010. Leveraging our experience and brand reputation, we have expanded into 22 cities across Henan, including all 18 prefecture-level cities and four county-level cities, as of July 31, 2010.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan's strong economic growth and significant increase in urbanization. Henan is China's second most populous province according to the National Bureau of Statistics of China, with a population of 94.9 million, second only to Guangdong, with 96.4 million. From 2005 through 2009, Henan's GDP grew from RMB1,058.7 billion to RMB1,948.0 billion, representing a CAGR of 16.5%, exceeding the national average of 16.0%. During the same period, Henan's urbanization rate also grew significantly by 7.7%, from 31.9% to 39.6%, which was yet at a level considerably below the national urbanization rate of 46.6% in 2009, leaving room for further growth in urbanization. In 2009, Henan's urban population grew by 5.3%, more than double the average 2.5% growth nationally.

We believe Henan is a substantially end-user driven residential property market, which helps contribute to greater stability in pricing and sales volume, less exposure to cyclicity and policy changes compared to many other cities, particularly when the PRC government introduces policies aimed at curbing speculation in the residential property market. The majority of our residential properties are sold to end-users who are either first-time buyers or homeowners seeking a better residence. Our residential properties are targeted at mid- to high-income customers. To cater to the diverse needs of our target customers, our projects are typically integrated residential complexes offering a combination of products, ranging from villas and townhouses to low-rise and high-rise apartment buildings, with retail and other commercial facilities, community facilities and scenic surroundings.

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. CapitaLand's shareholding in our Company is approximately 27.1% as of the date of this offering memorandum. CapitaLand has guided us in developing international best practices in risk and internal controls and helped us to keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisition. CapitaLand also performs regular internal control audits, contributing to significant enhancement of our corporate governance. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces pursuant to a deed of non-competition undertaking by CapitaLand China and CapitaLand Cayman. See "Our Relationship with CapitaLand."

Since inception, we have fully completed a total of 21 projects with an aggregate GFA of 4.6 million sq.m. As of July 31, 2010, we had a total of 41 other projects in Henan in various stages of development, including an aggregate planned GFA of 1.5 million sq.m. of properties under development and an aggregate planned GFA of 6.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates. As of July 31, 2010, we had also entered into land grant contracts or land use rights transfer agreements in respect of development sites with an aggregate planned GFA of 3.4 million sq.m. for which we had not yet obtained land use rights certificates.

We finance our land acquisitions with internal funds from business operations and funds raised in capital markets, while our property development, including construction and other costs, is typically financed by internal funds, onshore and offshore borrowings from various banks and capital markets. Our financing methods vary from project to project and are subject to limitations imposed by PRC laws and regulations and monetary policies. The following summarizes our main financing methods for our projects:

- **Internal Funds from Business Operations.** Our internal funds primarily comprise proceeds from the sale and pre-sale of properties and rental income. We receive pre-sale proceeds when we enter into contracts to sell properties prior to their completion, and those proceeds must be used for the construction of the particular projects which has been pre-sold. We typically receive an initial payment of at least 5% of the purchase price at the time of the execution of the pre-sale contracts and the balance within 45 days thereafter, by which time the customer is typically required to have obtained a bank mortgage.
- **Funds Raised from Capital Markets.** We completed our IPO in 2008, raising net proceeds of HK\$1,259.9 million. Subsequent to our IPO, we issued 2009 Convertible Bonds with Warrants in August 2009, raising net proceeds of RMB671.4 million (US\$99.1 million). We used the proceeds to pay for the acquisition of land.
- **Bank Borrowings.** As of July 31, 2010, our outstanding bank borrowings amounted to approximately RMB1,993.6 million (US\$294.3 million), of which RMB1,926.2 million (US\$284.4 million) was secured. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property.

In the future, we expect to fund our projects by using a combination of sources, including the proceeds of this offering, internally generated cash, bank borrowings and funds raised from time to time.

Key Factors Affecting Our Results of Operations

Our business, results of operations and financial condition have been, and we expect will continue to be, affected by a number of factors and risks, many of which are beyond our control. Please refer to the section entitled “Risk Factors” in this offering memorandum. The key factors affecting our results of operations include the following:

Economic Conditions and Regulatory Environment in the PRC

Our results of operations are subject to political, economic, fiscal, legal and social developments in the PRC in general, as well as economic, fiscal, legal and social developments specifically affecting the real estate sector in Henan, including:

- continued growth in the economy, population and rate of urbanization in the PRC in general and Henan in particular, as such factors drive the demand for purchase or rental of real estate properties;
- the regulatory and fiscal environment of the PRC affecting the property development industry, including tax policies, land grant and land use rights policies, pre-sale policies, policies on bank financing and interest rates and the availability of mortgage financing and other macroeconomic policies; and
- the performance of Henan’s property market, including the supply and demand for real estate properties and pricing trends in the mid- to high-end property segment in the cities in which we operate.

Since the second half of 2008, China's economy has experienced a slowdown as a result of the recent global economic crisis. The slowdown in economic activities in China has affected and may continue to affect consumer and business spending generally, which may result in decreased demand for real estate properties. As a result of the economic slowdown in China, certain of our projects that were scheduled to begin pre-sale in 2009 were delayed until 2010 and the average selling price of our properties declined. While the PRC government and governments around the world have taken remedial actions to address the economic slowdown and financial crisis, there can be no assurance that these actions will be effective. Although the property market in the PRC has rebounded significantly following the beginning of the financial crisis, it is difficult to determine the continuing impact of the global economic slowdown and financial crisis on the property industry in China due to its unprecedented nature. Although global economic conditions have improved, there is no assurance that such improved conditions can be sustained. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our business and results of operations have also been, and will continue to be, affected by the regulatory environment in China, PRC governmental policies and measures taken by the PRC government on property development and related industries. Between 2004 and the first half of 2008, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector. Because the property industry is regarded as a pillar industry by the PRC government, the PRC government has taken various restrictive measures to discourage speculation in the property market and to increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict development in the private property sector through regulating land grants, land utilization, pre-sales of properties, bank financing and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business and results of operations. The PRC government may introduce initiatives which may affect our access to capital and the means in which we may finance our property development. See the sections entitled "Regulation" as well as "Risk Factors — Risks Relating to the Property Industry in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property sector in the PRC."

Changes in the economic conditions and the regulatory environment in the PRC in general and in Henan in particular may affect the selling price of our properties as well as the time it will take us to pre-sell or sell the properties we have developed. Lower selling prices, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flows generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flows generated from the sale of our properties for a particular period. On the other hand, a higher selling price and a shorter selling period may increase our gross profit, reduce our selling and distribution costs and increase our cash flows for a particular period to enable us to fund the continuing growth of our business.

Costs of Labor, Construction Materials and Building Equipment

Our results of operations are affected by the costs of labor, construction materials such as steel and cement, and building equipment. As a result of the economic growth and the boom in the property development industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced a substantial increase in recent years. We typically enter into construction contracts with state-owned contractors whose credentials tend to be stronger than private contractors. Pursuant to these contracts, contractors are responsible for procuring most of the construction materials for our property development projects as well as wages for workers. Normally, price fluctuation is permitted within a range of 5% above and below the agreed contract amount to reflect increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a

greater share of the materials costs than is contractually required. We do so in order to maintain good relations with our contractors, which allows us to repeatedly obtain good quality and service. During the three years ending December 31, 2009 and the seven months ended July 31, 2010, no such contract prices were re-negotiated. However, we are exposed to volatility in labor and construction material prices to the extent that we periodically enter into or renew our construction contracts at different terms during the life of a project, which may span over several years, or if we hire construction workers directly or procure the construction materials directly from suppliers, any of which may result in increased cost of sales and decreased profit margin. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the time of such pre-sale. In addition, as we typically procure building equipment, such as elevators, interior decoration materials and air conditioning systems directly from suppliers, we are directly exposed to the price volatility of building equipment.

Availability and Cost of Land

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for the development of our projects at commercially acceptable prices. Land acquisition costs are one of the primary components of our cost of sales for property development. These consist of land premiums and the cost, if necessary, of demolishing existing buildings and relocating residents. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prevented from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights has increased competition for available land as well as increased land acquisition costs. Furthermore, the PRC government recently set a minimum down payment of land premium of 50%, which is required to be paid within one month of signing the land grant contract. The remaining land premium is required to be fully paid within one year of signing the land grant contract, subject to limited exceptions. Such change of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

Income Tax

Our income tax expenses consist of PRC CIT liabilities and LAT paid and accrued by our operating subsidiaries.

LAT

Under PRC tax laws and regulations, our project companies in the PRC are subject to LAT on the appreciation value of their land and the improvements on the land. Under the audited taxation method, all income from the sale or transfer of state-owned land use rights, and buildings and their attached facilities in the PRC, is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by relevant tax laws. Certain exemptions are available for the sale of ordinary residential houses if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. Under the authorized taxation method, LAT liabilities are based on a fixed rate, which ranged from 0.7% to 3.5% of the proceeds from pre-sales of the properties during the three years ended December 31, 2009, depending on the city in which the enterprise was located. Pursuant to the Notice on Strengthening the Administration of Land Appreciation Tax promulgated by the Henan Local Tax Bureau in June 2004, the amount of LAT payable in Henan could be calculated by using the authorized taxation method in addition to the audited taxation method. However, pursuant to the Circular on Specifying Several Measures Regarding Land Appreciation Tax issued by the Henan Local Tax Bureau in March 2010, as of May 2010, the authorized taxation method is no longer available to property developers in Henan. Instead, property developers in Henan must calculate LAT based on the audited taxation method only, with limited exceptions.

During recent years, the Henan Local Tax Bureau and the SAT issued several notices and circulars with the intention of increasing LAT prepayment rates and strengthening the collection of LAT. For instance, in

December 2006, the SAT issued a Notice on Issues Relevant to Administration of Settlement of Land Appreciation Tax of Real Estate Development Enterprises, which requires real estate developers to settle the final LAT payable in respect of their development projects that meet certain criteria, such as 85% of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this Notice in consideration of local conditions. In addition, pursuant to the 2010 LAT Notice issued by the SAT in May 2010, the minimum LAT prepayment rate in central regions such as Henan has been increased to 1.5%. Further, pursuant to the 2010 LAT Notice and the Circular on Specifying Several Measures Regarding Land Appreciation Tax issued by the Henan Local Tax Bureau in March 2010, LAT should generally be calculated based on the audited taxation method with a prepayment rate ranging from 1.5% to 4.5%, and only under limited circumstances may the authorized taxation method with a rate ranging from 5% to 8% be applied to LAT calculation. Such change of policy may materially and adversely affect our LAT liability and cash flow.

For 2007, 2008, and 2009, we estimated and made provisions for the full amount of LAT for which we were liable in accordance with the relevant PRC laws and regulations, and we paid accordingly each year based on the audited taxation method or the authorized taxation method, as applicable. For 2007, 2008 and 2009, we made LAT payments in the amount of RMB39.1 million, RMB85.9 million and RMB74.8 million (US\$11.0 million), respectively and we made provisions for LAT in the amount of approximately RMB53.1 million, RMB96.1 million and RMB51.6 million (US\$7.6 million), respectively. Before disallowance of the authorized taxation method in May 2010, LAT liabilities for 17 of our subsidiaries were calculated using the authorized taxation method for the whole or part of this period, while our remaining subsidiaries adopted the audited taxation method. The method of calculating LAT liability may differ for a subsidiary from year to year depending on application made by such subsidiary and approval granted by government authorities. See “Risk Factors — Risks Relating to Our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations.”

CIT

Our PRC CIT has been calculated at the applicable tax rate on our assessable profits for each year during the three years ended December 31, 2009. The CIT rate generally applicable in the PRC was 33% during 2007. Under the CIT Law, a uniform tax rate of 25% applies from January 1, 2008 to all enterprises operating in the PRC, including foreign-owned enterprises which have set up production and operation facilities in the country.

Pursuant to the Provisional Measures for Authorized Taxation Method of Real Estate Corporate Income Tax in Henan promulgated by the Henan Local Tax Bureau in March 2004, CIT levied on real estate enterprises in Henan may be calculated using the authorized taxation method under which the statutory tax rate is levied against their assessed profit, which for these purposes is deemed to be a figure not lower than 10% of their revenue, depending on the location of the relevant subsidiaries. As an alternative, CIT levied on real estate enterprises in Henan may be calculated using the audited taxation method. Real estate enterprises can select the method of tax calculation they adopt, subject to the approval of the local tax authorities. However, pursuant to the Measures on Collection of Corporate Income Tax with Authorized Taxation Method (Trial Version) (企業所得稅核定徵收辦法(試行)) and the Notice on Issues Regarding the Collection of Corporate Income Tax with Authorized Taxation (關於企業所得稅核定徵收若干問題的通知) issued by the SAT in March 2008 and July 2009, respectively, the SAT requires the audited tax method to be applied once an enterprise meets the relevant requirements for the audited taxation method. Such change of policy may materially and adversely affect CIT liability and our cash flow.

During the three years ended December 31, 2009, 21 of our subsidiaries used the authorized taxation method to calculate their CIT liabilities with the remaining subsidiaries using the audited taxation method. In 2007, 2008 and 2009, we paid CIT of RMB102.7 million, RMB112.4 million and RMB120.2 million (US\$17.7 million), respectively, and we made provisions for CIT in the amount of RMB107.9 million, RMB142.8 million and RMB184.0 million, respectively. See “Risks Factors — Risks Relating to our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our corporate income tax obligations.”

Access to and Cost of Financing

A portion of our borrowings are raised in capital markets. We use the proceeds to pay for the acquisition of land. We completed our IPO in 2008, raising net proceeds of HK\$1,259.9 million. Subsequent to our IPO, we issued 2009 Convertible Bonds with Warrants in August 2009, raising net proceeds of RMB671.4 million (US\$99.1 million).

Borrowing from banks and other parties is an important source of funding for our property developments. As of July 31, 2010, our outstanding bank and other loans and convertible bonds amounted to RMB3,845.2 million (US\$567.7 million) with available unused bank facilities of RMB4.8 billion (US\$0.7 billion). Interest on bank and other loans and convertible bonds was RMB128.6 million for the seven months ended July 31, 2010. The table below sets forth the structure of our bank borrowings:

	As of July 31, 2010	
	(RMB'000)	(US\$'000)
Secured	1,926,182	284,370
Unsecured	67,391	9,949
Total	<u>1,993,573</u>	<u>294,319</u>

A substantial portion of our borrowings are onshore loans from commercial banks in the PRC, the interest rates of which are linked to the benchmark lending rates published by the PBOC. As such, any increase in such benchmark lending rates will increase the interest costs for financing our developments. Our access to capital and cost of financing is affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A significant portion of our finance costs are capitalized, rather than being expensed, at the time they are incurred, to the extent such costs are directly attributable to the acquisition and construction of a project or a projected phase. Our capitalized borrowing costs released to cost of sales for the seven months ended July 31, 2010 was RMB31.5 million (US\$4.7 million). An increase in our finance costs would negatively affect our profitability and results of operations. Any unavailability of financing would affect our ability to engage in our project development activities, which would negatively affect our results of operations.

Timing of Property Development

The number of property developments that a developer can undertake during any particular period is limited, due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, between three and six months normally passes between the pre-sale of and revenue recognition from property developments, and it may take many months or possibly years before pre-sales of certain property developments occur. Moreover, while the pre-sale of a property generates positive cash flow for us in the period in which it is made, we must place a portion of such proceeds in restricted bank accounts and may only use such cash for specified purposes, and no sales revenue is recognized in respect of such property until the relevant property is completed. In addition, as market demand is not stable, sales revenue in a particular period can also depend on our ability to gauge the expected demand in the market at the expected launch time for completion of a particular project. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Pricing

The prices of our properties are determined by the market forces of supply and demand rather than through state guidance or by state-prescribed pricing. We price our properties by reference to market prices for similar types of

properties at comparable locations and the market response to our property launches. The average price of our projects therefore depends on the location and mix of properties sold and completed during each fiscal period. In addition, we generally develop and sell our residential projects in phases. For each development, we generally price subsequent phases higher than the initial launch, partly reflecting the landscaping, amenities and infrastructure that are completed in subsequent phases.

Changes in Product Mix

The prices and gross profit margins of our products vary by the location and type of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our high gross margin products compared to sales revenue attributable to lower gross margin products. In general, properties developed in Zhengzhou City incur higher costs than in other cities in Henan Province, primarily due to higher land acquisition costs, but they also generate higher turnover and gross profit margin as these projects reflect the provincial capital's higher living standards. For this reason, as we expand our operations into additional cities outside of Zhengzhou, our overall profit margins may narrow. However, we do not enter into a new development project in any city unless we project a minimum 30% gross profit margin from that project.

Villas and townhouses usually afford us higher profit margins than low-rise and high-rise apartments, as they typically have lower development costs and higher sales prices per square meter. In addition, properties in larger-scale projects will typically command a higher selling price as the overall development approaches completion due to the attractiveness of a more established development, thereby increasing our gross margin during the relevant period. We also develop commercial properties, which generally have higher profit margins than residential properties. Our product mix varies from period to period due to a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time, and time our project launches according to our development plans.

Change in Fair Value of our Investment Properties

In accordance with HKAS40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, investment properties may be recognized by using either the fair value model or the cost model. We have chosen to recognize investment properties at their fair values because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

Our investment properties under development as of December 31, 2007 and 2008 were stated at cost less impairment loss until construction or development is completed, at which time they were reclassified as investment properties at fair value. Any difference between the fair value of an investment property at completion and its previous carrying amount was recognized in our income statement in the year of completion. As a result of the adoption of amendments to HKAS40 for the year ended December 31, 2009, investment properties under development as of December 31, 2009 were carried at fair value. Any difference between the carrying value of investment properties under development as of December 31, 2008 and the fair value of investment properties under development as of December 31, 2009 was recorded in our consolidated income statement for the year ended December 31, 2009.

For the years ended December 31, 2007 and 2009, we recorded upward fair value adjustments of approximately RMB13.8 million and RMB2.5 million, respectively, on our investment properties and for the year ended December 31, 2008, we recorded a downward fair value adjustment of approximately RMB1.4 million. For the seven months ended July 31, 2010 we recorded an upward fair value adjustment of RMB0.3 million.

Pre-sales

Proceeds from pre-sales of properties under development constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the specific pre-sale proceeds to develop the project that has been pre-sold. The amount and timing of cash received from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the relevant PRC laws and regulations, market demand and the number of our properties that are available for pre-sale. A restriction on our ability to engage in the pre-sales of our properties could result in a reduced cash inflow, which would increase our reliance on external financing and increase our finance costs. This could have an adverse effect on our ability to finance our continuing property developments and our results of operations.

Critical Accounting Policies

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 2 to our audited consolidated financial statements included in this offering memorandum. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items, such as revenue recognition, cost or expense allocation and provision. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue recognition

Turnover consists primarily of the proceeds from property development, comprising property sales, property leasing and construction, after the elimination of inter-company transactions and excluding business tax and other sales-related taxes.

Revenue from the sale of a property is recognized when the significant risks and rewards of ownership of the property are transferred to the purchaser, which occurs upon the latter of the execution of the relevant sale contract and the completion of the property (which is deemed to occur upon receipt of the completion certificate), provided the collectability of the related receivable is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included under current liabilities in our consolidated balance sheet as receipts in advance.

Revenue arising from property leasing is recognized in our income statement in equal installments over the periods covered by the respective lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in our income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

When the outcome of a construction contract can be estimated reliably, revenue from the contract is recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that the costs incurred to date bears to the estimated total costs of the contract.

Development costs

During construction, development costs of properties to be sold are recorded under properties for sale in our balance sheet as properties under development for sale and are transferred to our income statement upon recognition of the revenue from the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by us in amounts based on management estimates.

When developing properties, we typically divide a development project into phases. Costs directly related to the development of a particular phase are recorded as costs of that phase. Costs that are common to phases are allocated to individual phases in proportion to the saleable area.

Properties for sale

Properties for sale consist of (i) properties held for future development and under development for sale and (ii) completed properties. Properties for sale remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value. Cost of inventories comprises construction costs, the costs of obtaining land use rights, and capitalized borrowing costs. Net realizable value of properties for sale is determined by reference to, and by management's estimates of, the expected selling prices based on the proceeds from other properties sold in the ordinary course of business, less the estimated costs to be incurred in selling the properties based on prevailing marketing conditions and, in the case of properties under development, the anticipated costs to completion.

Investment properties

Our investment properties comprise land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or capital appreciation. We record our investment properties as non-current assets on our balance sheet at their fair value.

All of our investment properties were revalued as of December 31, 2007, 2008, 2009 and July 31, 2010 by an independent firm of surveyors, Savills Valuation and Professional Services Limited on an open market value basis. The completed investment properties are valued by reference to net income with allowance for reversionary income potential. For investment properties under development, their valuations are conducted by reference to the residual value approach taking into account comparable market transactions and any future construction costs required for the completion of the development.

Income tax

We are subject to income tax, including LAT on property development projects in the PRC and CIT in the PRC and other jurisdictions. We use significant judgment in determining the provisions for income tax, as the calculations of such provisions depend on estimates of the ultimate tax determinations and regulatory developments and are therefore subject to uncertainty.

LAT

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT, which is collectible by the local tax authorities and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value as defined by relevant tax laws. Some of our properties are subject to LAT levied at a rate ranging from 1.5% to 5% over the three years ended December 31, 2009 and the seven months ended July 31, 2010, set by the relevant tax authority using the authorized taxation method, as detailed in “— Key Factors Affecting our Results of Operations — Income Tax — LAT” above. We estimate and make provisions for the amount of LAT payable under the applicable laws and regulations and recognize this as an income tax expense in our income statement together with the recognition of revenue from the sale of our properties. Because at the time we

recognize revenue we may not have completed the entire phase of the relevant project or the project as a whole, our estimate of LAT provisions at the time of such delivery requires us to use significant judgment with respect to, among other things, the total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land value and the total amount of various deductible items. Our net profit in the relevant periods will be affected if the ultimate tax determination differs from the amounts that were initially recorded. See “Regulation — Major Taxes Applicable to Property Developers” and “Risk Factors — Risks Relating to our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations.”

Deferred tax

Deferred tax assets and liabilities arise from deductible and taxable temporary differences, respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax assets in respect of tax losses carried forward are recognized and measured based on the expected manner of realization or settlement of the carrying amounts of the assets, using tax rates enacted or substantially enacted as of the balance sheet date. Future taxable profits that may support the recognition of deferred assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same tax authority and the same taxable entity and are expected to be reversed either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. In determining the carrying amounts of deferred assets, we estimate future taxable profits, which involves a number of assumptions relating to the operating environment and requires a significant level of judgment. Any change in these assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized, and hence our net profit, in future years.

Convertible bonds with warrants

The 2009 Convertible Bonds with Warrants were issued with detachable warrants. Where the convertible bonds can be converted to equity share capital at the option of the holder, the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, and where the warrants issued by the Company will be settled by exchange of the warrants and a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments, convertible bonds with detachable warrants are accounted for as compound financial instruments, which contain a liability component and an equity component. The early redemption options embedded in convertible bonds with detachable warrants are separately accounted for as derivative financial instruments.

At initial recognition, the derivative financial instruments embedded in the convertible bonds with detachable warrants are measured at fair value. The liability component is measured as the present value of future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option and warrants. Any excess of proceeds over the amount initially recognized as a liability (and separately accounted for as derivative financial instruments) is recognized as equity.

Transaction costs that relate to the issue of convertible bonds with detachable warrants are allocated to liabilities (and derivative financial instruments) and equity in proportion to allocation of proceeds.

Certain Income Statement Items

Turnover

Turnover represents income that arises in the course of our ordinary activities, net of business tax, after eliminating intra-group transactions. We derive substantially all of our turnover from property sales, with a small portion derived from property leasing and construction. The table below sets forth turnover attributable to each of our business segments for the periods indicated:

	For the year ended December 31,						For the seven months ended July 31,					
	2007		2008		2009		2009		2010		2010	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US\$'000)	%	(RMB'000)	(RMB'000)	(US\$'000)	%	
Property sales . . .	1,662,966	91	3,000,993	93	2,659,942	392,699	97	721,811	1,650,173	243,622	96	
Property												
leasing	17,664	1	19,393	1	22,084	3,260	1	11,177	12,470	1,841	1	
Construction	141,033	8	206,610	6	57,805	8,534	2	5,095	60,658	8,955	3	
Total	1,821,663	100	3,226,996	100	2,739,831	404,493	100	738,083	1,723,301	254,418	100	

Property Sales

We derive substantially all of our turnover from residential and commercial property sales, and our results of operations for a given period depend upon the type and GFA of our properties available for sale during that period, the market demand for those properties and the selling prices of such properties. Conditions of the property markets in which we operate change from period to period and are affected by economic, political and regulatory developments in the PRC in general and Henan in particular. See “— Key Factors Affecting Our Results of Operations.” The table below sets forth, for the periods indicated, total turnover derived from each of our projects, and the aggregate GFA of properties recognized as sales.

	For the years ended December 31,						For the seven months ended July 31,	
	2007		2008		2009			2010
	Total Turnover	GFA Sold	Total Turnover	GFA Sold	Total Turnover	GFA Sold		Total Turnover
RMB'000	sq.m.	RMB'000	sq.m.	RMB'000	sq.m.	RMB'000		
Properties sold								
Jianye City Garden (Zhengzhou) (鄭州建業城市花園)	2,435	908	427	66	1,374	234	1,767	
Home Universe (Zhengzhou) (鄭州建業新天地花園)	500	47	120,740	24,868	14,375	840	14,887	
Landmark (Zhengzhou) (鄭州建業置地廣場)	—	—	740,305	84,618	334,726	51,991	189,119	
Jianye Green Garden (Xinxiang) (新鄉建業綠色家園)	46,618	16,411	15,956	4,645	355	174	—	
Forest Peninsula (Jiyuan) (濟源建業森林半島)	69,105	32,738	75,940	30,648	4,665	1,016	5,960	
Landmark (Jiyuan) (濟源新天地)	—	—	101,641	15,725	16,032	4,457	—	
Forest Peninsula (Shangqiu) (商丘建業森林半島)	13,387	4,703	21,298	4,640	4,055	1,345	—	
Sweet-Scented Osmanthus Garden (商丘建業桂園)	86,275	39,397	32,280	13,262	84,062	31,300	35,652	
U-Town (Zhengzhou) (鄭州聯盟新城)	171,399	23,714	397,691	46,298	200,302	21,923	53,239	
Forest Peninsula (Jiaozuo) (焦作建業森林半島)	110,003	41,527	146,967	48,729	115,558	34,578	62,041	
Forest Peninsula (Zhengzhou) (鄭州建業森林半島)	341,716	43,151	388,381	65,408	18,129	1,645	250,266	
Jianye Champagne Garden (Zhengzhou) (鄭州建業香檳盛園)	—	—	—	—	212,328	40,814	70,196	
Jianye City (Puyang) (濮陽建業城)	—	—	155,355	71,682	64,719	18,500	9,183	
Forest Peninsula (Zhumadian) (駐馬店建業森林半島)	54,335	26,280	173,998	69,480	61,893	20,265	122,711	
Jianye Green Garden (Sanmenxia) (三門峽建業綠色家園)	4,234	2,559	468	254	—	—	487	
Samenxia SOHO (三門峽銀座)	7,514	1,410	6,546	604	1,248	135	—	
Forest Peninsula (Sanmenxia) (三門峽森林半島)	—	—	—	—	122,195	34,389	55,870	
Palladio Luxurious House (Xuchang) (許昌建業帕拉帝奧)	50,562	18,597	26,716	5,849	33,205	7,538	15,471	
Gentlest Lake (Xuchang) (許昌建業美茵湖)	88,597	27,041	26,204	6,548	6,148	877	—	
Forest Peninsula (Luoyang) (洛陽建業森林半島)	102,757	31,280	57,403	16,496	11,464	1,807	18,145	
Gentlest Lake (洛陽建業美茵湖)	185,035	50,993	30,228	7,623	4,579	725	3,537	
Golf (Luoyang) Phase I (洛陽高爾夫一期)	—	—	—	—	219,341	62,880	50,824	
Forest Peninsula (Pingdingshan) (平頂山建業森林半島)	156,766	60,575	116,377	23,775	25,327	2,837	9,403	
Forest Peninsula (Luobe) (漯河建業森林半島)	113,783	46,070	123,904	40,930	46,065	13,635	111,938	
Jianye Dahong City Garden (Kaifeng) (開封城市花園)	—	—	179,635	116,298	50,474	31,781	38,461	
Code One City (Luoyang) (洛陽一號城邦)	—	—	—	—	—	—	173,861	
Forest Peninsula (Xinxiang) (新鄉建業森林半島)	—	—	—	—	70,586	18,580	10,428	
Xinyang Tianming Forest Peninsula (信陽天明森林半島)	56,729	25,855	61,760	23,663	132,492	48,175	43,177	
Forest Peninsula (Kaifeng) (開封森林半島一期)	—	—	—	—	140,230	50,580	169,549	
Huayang Square (Luoyang) Phase I (洛陽世紀華陽一期)	—	—	—	—	533,750	112,695	92,860	
Forest Peninsula (Zhoukou) Phase I Group I (周口森林半島一期一批)	—	—	—	—	54,362	19,611	19,266	
Forest Peninsula (Shangjie) Phase I (鄭州上街森林半島一期)	—	—	—	—	75,470	26,525	19,433	
Others	1,216	1,813	773	281	433	215	2,114	
Total	1,662,966	495,069	3,000,993	722,390	2,659,942	662,067	1,650,173	

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. See “Business — Pre-sale.” In general, there is a time difference, typically ranging from six months to one year, between the time we commence pre-selling properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of our properties until such properties are completed, even though we receive payments at various stages prior to completion. Before the completion of a pre-sold property, payments received from purchasers are recorded as receipts in advance, which is a current liability on our consolidated balance sheet. Following completion of a pre-sold property, we recognize the revenue while eliminating the liability from our balance sheet and recognizing an increase in shareholders’ equity. As our revenue from sales of properties are recognized upon the completion of properties, the timing of such completion may not only affect the amount of the turnover from our property sales but also cause changes in trade and other payables and accruals to fluctuate from period to period.

In 2007, 2008, 2009, and the seven months ended July 31, 2009 and 2010, turnover from property sales was RMB1,663.0 million, RMB3,001.0 million, RMB2,659.9 million (US\$392.7 million), RMB721.8 million and RMB1,650.2 million (US\$243.6 million), respectively.

Property Leasing

Our turnover from property leasing represents recurring income from our investment properties, which has historically been generated from the rental of kindergarten and school facilities, retail and commercial units and car parking spaces and was generally recognized in our income statement in equal installments over the periods covered by the respective lease terms. For the three years ended December 31, 2007, 2008 and 2009 and the seven months ended July 31, 2009 and 2010, turnover from property leasing amounted to RMB17.7 million, RMB19.4 million, RMB22.1 million (US\$3.3 million), RMB11.2 million and RMB12.5 million (US\$1.8 million), respectively.

Construction

A small portion of our turnover is generated from two construction contracts we undertook. In 2007, we were engaged by the Department of Land and Resources of Henan Province under a contract to manage the development of the Capital Garden Project. In 2009, we were engaged by the Henan Province Labor Union (河南省總工會) to manage the development of Zhengzhou Xiangsheng Garden. For both projects, we charged 3% of the total construction price as fees for our supervising the construction process of that project (in addition to Zhengzhou Xiangsheng Garden) and these fees were paid to us on a percentage-of-completion basis. Revenue from these contracts were recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contracts, when the outcome of a given construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that will probably be recoverable. In the three years ended December 31, 2007, 2008 and 2009 and the seven months ended July 31, 2009 and 2010, turnover from construction was RMB141.0 million, RMB206.6 million, RMB57.8 million (US\$8.5 million), RMB5.1 million and RMB60.7 million (US\$9.0 million), respectively.

Cost of Sales

Cost of sales primarily represents the costs we incur directly for our property development activities. The principal component of cost of sales for our property development business is the cost of properties sold, which includes direct construction and development costs, land acquisition costs and capitalized borrowing costs during the period of construction. The table below sets forth information relating to the cost of properties sold for the periods indicated:

	For the year ended December 31,						For the seven months ended July 31,						
	2007	%	2008	%	2009	2009	2009	%	2009	%	2010	2010	%
	(RMB'000)		(RMB'000)		(RMB'000)	(US\$'000)		(RMB'000)		(RMB'000)	(US\$'000)		
Construction & development costs	881,236	75.2	1,382,543	78.1	1,324,745	195,578	76.2	339,185	78.6	764,855	112,919	75.1	
Land acquisition costs	228,110	19.4	303,574	17.2	323,363	47,739	18.6	68,794	15.9	198,633	29,325	19.5	
Capitalized borrowing costs	20,937	1.8	40,677	2.3	48,678	7,187	2.8	14,849	3.4	31,536	4,656	3.1	
Others	42,167	3.6	41,769	2.4	41,724	6,160	2.4	8,900	2.1	23,422	3,458	2.3	
Total	1,172,450	100.0	1,768,563	100.0	1,738,510	256,664	100.0	431,728	100.0	1,018,446	150,358	100.0	

Construction and development costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Construction material costs, which are generally included in the payments to the construction contractors, particularly the cost of steel and cement, have been a major cause of fluctuations in our construction costs. Pursuant to contracts with such contractors, the contractors are responsible for procuring most of the construction materials for our property development projects as well as wages for the workers. Normally, price fluctuation is permitted within a range of 5% above and below the agreed contract amount to reflect increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. Price movements of other supplies which we typically procure ourselves, including elevators, interior decoration materials and air conditioning systems, may also increase our construction costs. Costs associated with design and construction of the foundation are another major component of our construction costs and vary according to the area and height of the buildings as well as the geological conditions of the site. Therefore, construction costs of a property development may be higher if the conditions of a site require more complex designs and processes or more expensive materials in order to provide the necessary foundation support. In addition, with the PRC government's recent policies aiming to enhance the protection for employees and increased employers' liability in many circumstances, our labor costs may increase in the future, which in turn will increase our construction costs.

Land acquisition costs include costs relating to the acquisition of rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with land grants from the PRC government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. Our land acquisition costs are influenced by a number of factors, including the location of the property, the timing of the acquisition, the project's plot ratios, the method of acquisition and changes in PRC regulations. We may also be required to pay demolition and resettlement costs.

We capitalize a portion of our borrowing costs to the extent that such costs are directly attributable to the construction of a particular project. We are required under HKFRS to capitalize such borrowing costs until a project generates cash flow sufficient to cover its own project costs, at which point borrowing costs are no longer capitalized for that project. In general, we capitalize borrowing costs incurred from the commencement of the planning and design of a project, which predates the receipt of a permit for commencement of construction work, until the physical completion of construction. For any given project, borrowing costs incurred after completing

the construction of a project are not capitalized but are instead accounted for in our income statements as finance costs in the period in which they are incurred. Where the duration of a loan is longer than the time to completion of the project, we are unable to capitalize the total interest costs related to the project for the period after completion. Fluctuations in the amount and timing of capitalization from period to period will affect our finance costs.

Other revenue

Other revenue consists primarily of interest income on bank deposits, government subsidies, most of which are in the form of tax refunds to attract the Company's investment in local districts, and dividend income from certain unlisted equity securities.

Other net loss or income

Other net loss or income consists primarily of gain on disposals of property, plant and equipment, gain on the disposal of a subsidiary, compensation from net exchange loss or gain and compensation to purchasers to whom late delivery of a property have been made.

Selling and marketing expenses

Selling and marketing expenses include advertising and promotional expenses relating to the sale and rental of our properties, including the sponsorship of the national major league Henan Construction Football Club Company Limited and advertisements in newspapers, on outdoor advertising boards and on radio broadcasts, selling and marketing staff expenses, commissions for contract sales, and other selling-related expenses. Our selling and marketing expenses in a given period are affected by the number of newly introduced developments in that period. We expect our selling and marketing expenses to continue to increase, as we have multiple projects that will be released to the market in the near future. Certain projects, such as the Landmark project, may incur greater marketing expense to reach potential purchasers of a higher income level in Zhengzhou City, where costs are generally higher. Commissions in connection with contract sales are recognized as an expense upon pre-sale, not upon recognition of sales.

General and administrative expenses

General and administrative expenses include administrative staff costs, travelling and entertainment expenses, other professional fees, and general office expenses. They also include depreciation and amortization of fixed assets such as company vehicles and office equipment. We have experienced an increase in our administrative expenses as a result of the continued growth of our property development business during the three years ended December 31, 2009 and the seven months ended July 31, 2010, which was primarily due to an increase in the number of our employees and the increase in the average salaries for our employees.

Other operating expenses

Other operating expenses include primarily property maintenance expenses, events organized by our Jianye Club and the costs of supplying heat and hot water to those properties that do not receive heat and hot water from the government. Although we charge for heat and hot water that we provide, maximum prices are set by the government and these prices are generally lower than the costs of provision.

Share of losses of joint ventures

Share of losses of joint ventures represents our investment in CCRE Zhongyuan CCRE Coal Chemical, CCRE Taihong Real Estate and a joint venture with Bridge Trust. We had a 50% interest in CCRE Zhongyuan in 2007, and we share its profit or loss after taxation pursuant to the relevant joint venture agreement. In December 2007, we acquired the remaining 50% interest in CCRE Zhongyuan and as a result, it became our wholly owned subsidiary starting January 2008.

In the first seven months of 2010, the Group has set up three more joint ventures with other venturers. During the period, the loss incurred is mainly due to share of losses after taxation of CCRE Coal Chemical and CCRE Taihong.

Share of losses of associates

Share of losses of associates represents our capital contributions in St. Andrews Zhengzhou. In August 2007, in order to facilitate our acquisition of CCRE St. Andrews, which provided us with land for a substantial development project, we acquired a 40% interest in St. Andrews Zhengzhou, which operates on a site adjacent to the CCRE St. Andrews land.

Finance costs

Finance costs include primarily interest on borrowings and payments of rent under lease-back arrangements with a put option, net of borrowing costs capitalized into properties under development, and interest on advances from customers.

Rent payments under the lease-back arrangements with a put option are included as a cost of finance because under these arrangements, the risks and rewards associated with ownership of the properties have not been transferred to the buyers and we in effect retain ownership. The rent is in substance the cost of obtaining funds on the property (i.e., receipts in advance), and thus the related expense is treated in our accounts as a payment of interest rather than rent. See “— Description of Certain Income Statement Items — Turnover.”

We capitalize a portion of our borrowing costs to the extent that such costs are directly attributable to the construction of a project. We are required under HKFRS to capitalize such borrowing costs until a project generates cash flow sufficient to cover its own project costs, at which point borrowing costs are no longer capitalized for that project. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on such indebtedness. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the borrowing costs related to a property development can be capitalized. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalization. See “— Cost of Sales.”

Increase/(decrease) in fair value of investment properties

Increase/(decrease) in fair value of investment properties represents changes in such value arising from adjustments to existing investment properties in accordance with prevailing market conditions. See “— Critical Accounting Policies — Investment Properties.”

Income tax expenses

Income tax expenses consist of provisions for CIT and LAT. Under the authorized taxation method, the CIT liabilities of our PRC subsidiaries are generally calculated as a pre-determined percentage of their revenue, and LAT liabilities are generally calculated as a fixed rate of the proceeds from pre-sales of properties. Under the audited taxation method, the CIT liabilities of our subsidiaries are calculated with reference to their actual profit, and LAT liabilities are calculated at a rate ranging from 30% to 60% of the appreciation value of the subsidiaries' land. See “— Key Factors Affecting our Results of Operations — Income tax” above.

Results of Operations

The following table sets forth our results of operations for the periods indicated which are derived from the income statements included in this offering memorandum. Our historical results presented below are not necessarily indicative of future results.

	For the year ended December 31,				For the seven months ended July 31,		
	2007	2008	2009	2009	2009	2010	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Turnover	1,821,663	3,226,996	2,739,831	404,493	738,083	1,723,301	254,418
Cost of sales	(1,308,374)	(1,988,764)	(1,788,249)	(264,007)	(440,934)	(1,082,566)	(159,824)
Gross profit	513,289	1,238,232	951,582	140,486	297,149	640,735	94,594
Other revenue	22,709	30,752	41,964	6,195	32,357	17,013	2,512
Other net income	854	18,548	21,541	3,180	7,365	4,005	591
Selling and marketing expenses ...	(87,418)	(97,484)	(113,285)	(16,725)	(55,771)	(70,661)	(10,432)
General and administrative expenses	(94,533)	(152,867)	(164,708)	(24,316)	(80,836)	(100,220)	(14,796)
Other operating expenses	(11,729)	(20,271)	(19,292)	(2,848)	(8,770)	(9,448)	(1,395)
Profit from operations	343,172	1,016,910	717,802	105,972	191,494	481,424	71,074
Share of losses of joint ventures ...	(262)	—	—	—	—	(50)	(7)
Share of losses of associates	(2,315)	(2,983)	(2,831)	(418)	(2,631)	(1,697)	(250)
Finance costs	(48,873)	(53,144)	(66,080)	(9,756)	(27,788)	(49,898)	(7,367)
Profit before change in fair value of investment properties and income tax	291,722	960,783	648,891	95,798	161,075	429,779	63,450
Increase/(decrease) in fair value of investment properties	13,823	(1,400)	2,461	364	1,065	315	47
Profit before taxation	305,545	959,383	651,352	96,162	162,140	430,094	63,497
Income tax	(134,977)	(304,454)	(223,221)	(32,955)	(53,279)	(190,427)	(28,114)
Profit for the year/period	170,568	654,929	428,131	63,207	108,861	239,667	35,383
Attributable to:							
Equity shareholders of the Company	164,988	653,301	405,326	59,840	110,356	235,382	34,750
Non-controlling interests ...	5,580	1,628	22,805	3,367	(1,495)	4,285	633
Profit for the year/period	170,568	654,929	428,131	63,207	108,861	239,667	35,383

Comparison of the Seven Months Ended July 31, 2010 to the Seven Months Ended July 31, 2009

Turnover. Our turnover increased by 133.5% to RMB1,723.3 million in the seven months ended July 31, 2010 from RMB738.1 million in the seven months ended July 31, 2009, mainly due to an increase in turnover from property sales.

Property sales. Turnover from property sales increased by 128.6% to RMB1,650.2 million in the seven months ended July 31, 2010 from RMB721.8 million in the seven months ended July 31, 2009. The increase was mainly due to a 97.5% increase in GFA completed and sold to 372,723 sq.m. in the seven months ended July 31, 2010 from 188,699 sq.m. in the seven months ended July 31, 2009. The increase was also due to higher average selling price, which increased by 15.7% from RMB3,825 per sq.m. in the first seven months of 2009 to RMB4,427 per sq.m.

Property leasing. Turnover from property leasing increased by 11.6% to RMB12.5 million in the seven months ended July 31, 2010 from RMB11.2 million in the seven months ended July 31, 2009.

Construction. Turnover from construction increased significantly to RMB60.7 million in the seven months ended July 31, 2010 from RMB5.1 million in the seven months ended July 31, 2009. This was primarily a result of the progress of the construction contract with Henan Zong Gong Hui.

Cost of sales. The Group's cost of sales increased by 145.5% to RMB1,082.6 million in the seven months ended July 31, 2010 from RMB440.9 million in the seven months ended July 31, 2009, primarily due to the increase in total GFA completed and sold.

Gross profit. Gross profit margin was 37.2%, a 3.1 percentage point decrease as compared with 40.3% for the same period of 2009. This decrease was mainly due to higher average land and development costs in the first seven months ended July 31, 2010.

Other revenue. Other revenue from operations decreased by 47.4% to RMB17.0 million in the seven months ended July 31, 2010 from RMB32.4 million in the seven months ended July 31, 2009, primarily due to a decrease in interest income from bank deposits.

Other net income. Other net income decreased by 45.6% to RMB4.0 million in the seven months ended July 31, 2010 from RMB7.4 million in the seven months ended July 31, 2009, primarily because of the recognition of a RMB7.5 million gain from the disposal of a subsidiary in the seven months ended July 31, 2009, which was not incurred in the seven months ended July 31, 2010. The decrease was partially offset by an exchange gain of RMB3.6 million arising from loans denominated in foreign currencies in the seven months ended July 31, 2010.

Selling and marketing expenses. Selling expenses increased by 26.7% to RMB70.7 million in the seven months ended July 31, 2010 from RMB55.8 million in the seven months ended July 31, 2009, primarily due to an increase of RMB5.8 million in sponsorship fees for the Construction Football Club team and advertising and promotion expenses for new projects, and an increase of RMB9.1 million in other selling and marketing expenses such as salaries and office expenses.

General and administrative expenses. General and administrative expenses increased 24.0% to RMB100.2 million in the seven months ended July 31, 2010 from RMB80.8 million in the seven months ended July 31, 2009, primarily due to an increase in the number of staff as a result of the expansion of our operations.

Other operating expenses. Other operating expenses increased by 7.7% to RMB9.4 million in the seven months ended July 31, 2010 from RMB8.8 million in the seven months ended July 31, 2009, mainly due to a RMB0.7 million increase in repair and maintenance expenses.

Profit from operations. As a result of the foregoing, our profit from operations increased 151.4% to RMB481.4 million in the seven months ended July 31, 2010 from RMB191.5 million in the seven months ended July 31, 2009.

Share of losses of associates. Our share of losses of associates was RMB1.7 million in the first seven months ended July 31, 2010, compared to RMB2.6 million in the seven months ended July 31, 2009. Our share of losses of associates in the seven months ended July 31, 2010 represented our share of losses on our investment in St. Andrews Golf Club (Zhengzhou) Company Limited as operating expenses were incurred by that company in its early stages prior to its generating any revenue.

Finance costs. Finance costs increased by 79.6% to RMB49.9 million in the seven months ended July 31, 2010 from RMB27.8 million in the seven months ended July 31, 2009. This was primarily due to an increase in borrowings as a result of a greater number of projects and the costs associated with the issuance of the 2009 Convertible Bonds with Warrants, which was partially offset by an increase in capitalization of borrowing costs and fair value gain of financial derivatives of the convertible bonds.

Profit before change in fair value of investment properties and income tax. Our profit before change in fair value of investment properties and income tax increased by 166.8% to RMB429.8 million in the seven months ended July 31, 2010 from RMB161.1 million in the seven months ended July 31, 2009.

Changes in fair value of investment properties. The fair value of our investment properties increased by RMB0.3 million in the seven months ended July 31, 2010, compared to an increase of RMB1.1 million in the seven months ended July 31, 2009 as the market value of our investment properties remained generally stable in the seven months ended July 31, 2010.

Profit before taxation. Our profit before taxation increased by 165.3% to RMB430.1 million in the seven months ended July 31, 2010 from RMB162.1 million in the seven months ended July 31, 2009.

Income tax. Income tax increased significantly to RMB190.4 million in the seven months ended July 31, 2010 from RMB53.3 million in the seven months ended July 31, 2009. The effective tax rate increased from 32.9% to 44.3%, as a number of subsidiaries have switched from the authorized taxation method to the audited taxation method during the seven months ended July 31, 2010 and as a result the effective tax rate increased by 11.4 percentage points.

Profit for the period. Our profit for the period increased by 120.2% to RMB239.7 million in the seven months ended July 31, 2010 from RMB108.9 million in the seven months ended July 31, 2009.

Comparison of 2009 to 2008

Turnover. Our turnover decreased by 15.1% to RMB2,739.8 million in 2009 from RMB3,227.0 million in 2008, primarily due to a decrease of turnover from property sales.

Property sales. Turnover from property sales decreased by 11.4% to RMB2,659.9 million for 2009 from RMB3,001.0 million for 2008. This decrease was primarily due to a decrease in total GFA sold and in our average selling price. Total GFA sold decreased by 8.4% to 662,067 sq. m. in 2009 from 722,390 sq.m. in 2008. Our average selling price decreased by 3.3% to RMB4,018 per sq. m. in 2009 from RMB4,154 per sq. m. in 2008. The decreases in total GFA sold and decrease in average selling price were primarily a result of a decrease in property sales in Zhengzhou, where average selling prices tend to be higher than in the other cities in which we operate. This decrease occurred because the completion date of multiple projects in Zhengzhou were pushed back in 2008 due to recessionary macroeconomic conditions. As a result, Zhengzhou accounted for 33% of our total GFA sold in 2009 compared to 50% in 2008, depressing turnover from property sales.

Property leasing. Turnover from property leasing increased 13.9% to RMB22.1 million from RMB19.4 million in 2008, primarily as a result of increased income from additional kindergartens and commercial spaces that we leased out of our new property developments.

Construction. Turnover from construction decreased by 72.0% to RMB57.8 million for 2009 from RMB206.6 million in year ended December 31, 2008. This was primarily a result of decreased turnover from construction supervision fees in connection with the Capital Garden project. Because that project was under construction for only a portion of 2009 but during all of 2008, we realized higher fee income in connection with that project in 2008.

Cost of sales. Our cost of sales decreased by 10.1% to RMB1,788.2 million in 2009 from RMB1,988.8 million in 2008 as a result of the decrease in the total GFA of properties sold during 2009 as compared to that in 2008.

Gross profit. As a result of the foregoing, our gross profit decreased by 23.1% to RMB951.6 million for 2009 from RMB1,238.2 million for 2008, while our gross margin decreased to 34.7% for 2009 from 38.4% for 2008.

This is primarily because of a lower average selling price, stemming from a shift in product mix from Zhengzhou to other cities in Henan where the selling prices of properties are generally lower than in Zhengzhou.

Other revenue. Our other revenue increased by 36.5% to RMB42.0 million in 2009 from RMB30.8 million in 2008. This was primarily attributable to increased interest income from an advance to a third party, increased interest income from increase cash on hand, and local government subsidies of approximately RMB1.8 million.

Other net income. Our other net income increased by 16.1% from to RMB21.5 million in 2009 from RMB18.5 million in 2008. Other net income for 2009 was primarily attributable to the gain from the disposal of properties, plants and equipment of RMB16.0 million (mostly comprising a clubhouse located in U-Town (Zhengzhou)) and the gain from the disposal of subsidiaries of RMB7.5 million, partially offset by total compensation of RMB1.4 million paid to some buyers due to late delivery of their properties. Other net income for 2008 was primarily attributable to net exchange gain of RMB20.0 million in connection with our bank loans denominated in foreign currencies, partially offset by total compensation of RMB1.7 million paid to some buyers due to late delivery of their properties.

Selling and marketing expenses. Our selling and marketing expenses increased by 16.2% to RMB113.3 million in 2009 from RMB97.5 million in 2008. This increase was due primarily to an increase in general sales, marketing and advertising activities in connection with new properties for sale in 2009. In particular, we paid increased total commissions in connection with contract sales of new properties. Commissions increased because contract sales rose in 2009, although revenue from many such sales was not recognized until 2010.

General and administrative expenses. Our general and administrative expenses increased by 7.7% to RMB164.7 million in 2009 from RMB152.9 million in 2008. This increase was primarily due to an increase in depreciation and amortization as a result of our increased investment in fixed assets (including expenses for leasehold land of RMB0.3 million, expenses for construction in progress of RMB26.9 million, expenses for furniture and fixtures of RMB1.5 million and expenses for motor vehicles of RMB0.8 million) and an increase in property management fees paid as a result of the increase in the numbers of our projects.

Other operating expenses. Other operating expenses decreased by 4.8% to RMB19.3 million in year ended December 31, 2009 from RMB20.3 million in 2008. Our other operating expenses for 2009 were primarily attributable to repair and maintenance expenses of RMB7.5 million for our existing projects, provision for impairment of RMB5.4 million incurred for a property held for investment purposes, and losses of RMB6.5 million from the provision of heat and hot water to certain property owners. Our other operating expenses for 2008 were primarily attributable to losses of RMB6.1 million from the provision of heat and hot water to certain property owners and RMB6.1 million in compensation paid to a counterparty in connection with our cancellation of a commercial rental agreement in relation to the Landmark project in Zhengzhou.

Profit from operations. As a result of the foregoing, our profit from operations decreased by 29.4% to RMB717.8 million for 2009 from RMB1,016.9 million for 2008.

Share of losses of associates. Our share of losses of associates decreased by 5.1% to RMB2.8 million in 2009 from RMB3.0 million in 2008. Our share of losses of associates represented share of loss for operating expenses incurred by St. Andrews Zhengzhou, one of our minority-owned affiliates.

Finance costs. Our finance costs increased by 24.3% to RMB66.1 million in 2009 from RMB53.1 million in 2008. This increase was primarily due to an increase in borrowings from banks and other third parties and the issuance of our 2009 Convertible Bonds with Warrants, partially offset by an increase in borrowing costs capitalized and recorded under cost of sales and the net change in fair value of derivative embedded to the 2009 Convertible Bonds with Warrants.

Profit before change in fair value of investment properties and income tax. Our profit before change in fair value of investment properties and income tax decreased by 32.5% to RMB648.9 million in 2009 from RMB960.8 million in 2008 due to the reasons discussed above.

Changes in fair value of investment properties. We recorded an increase of RMB2.5 million in fair value of our investment properties in 2009, as compared to a decrease of RMB1.4 million in 2008. These changes were due primarily to improved property market conditions during in 2008 as compared to 2009, due in part to gradual recovery from the effects of the global economic recession.

Profit before taxation. Our profit before taxation decreased by 32.1% to RMB651.4 million for 2009 from RMB959.4 million for 2008.

Income tax. Our income tax decreased by 26.7% to RMB223.2 million in 2009 from RMB304.5 million in 2008, while the effective tax rate increased to 34.3% from 31.7% over the same period. The decrease in income tax over this period was the result of the decrease in revenue. The increase in effective tax rate was primarily due to the fact that most of our profitable subsidiaries used the authorized taxation method, which uses revenue rather than assessable profit in calculating tax. Therefore, as our gross profit margin decreased in 2009, our effective tax rate increased during the same period.

Profit for the year. Our profit for the year decreased by 34.6% to RMB428.1 million in 2009 as compared to RMB654.9 million in 2008.

Comparison of 2008 and 2007

Turnover. Our turnover increased by 77.1% to RMB3,227.0 million in 2008 from RMB1,821.7 million in 2007. This was primarily due to the increase in turnover from property sales.

Property sales. Turnover from property sales increased by 80.5% to RMB3,001.0 million in 2008 from RMB1,663.0 million in 2007. This increase was due primarily to an increase in total GFA sold and average selling price. Total GFA sold increased by 45.9% to 722,390 sq. m. in 2008 from 495,069 sq.m. in 2007 primarily as a result of sales of Phase IV of Forest Peninsula (Zhengzhou) and Jianye City (Luoyang). Our average selling price increased by 23.7% to RMB4,154 per sq. m. in 2008 from RMB3,359 per sq. m. in 2007 primarily as a result of the launch of our Landmark project in Zhengzhou.

Property leasing. Turnover from property leasing remained stable at RMB19.4 million in 2008, as compared to RMB17.7 million in 2007.

Construction. Turnover from construction increased by 46.5% to RMB206.6 million in 2008 from RMB141.0 million in 2007. This increase was due primarily to the fact that the Capital Garden project did not begin construction until 2008 and we received construction supervision fees in connection with this project.

Cost of sales. Our cost of sales increased by 52.0% to RMB1,988.8 million in 2008 from RMB1,308.4 million in 2007. This increase was primarily due to an overall increase in construction and development costs, land acquisition costs and capitalized borrowing costs as a result of the increase in the total GFA sold for 2008 as compared to 2007.

Gross profit. Our gross profit increased by 141.2% to RMB1,238.2 million in 2008 from RMB513.3 million in 2007 while our gross profit margin increased to 38.4% in 2008 from 28.2% in 2007. The increase of our gross

profit margin was primarily due to the increased sales of commercial properties, which have higher profit margins compared to residential properties. For 2008, 28% of the total GFA sold was commercial properties, as compared to 8% for 2007.

Other revenue. Our other revenue increased by 35.4% to RMB30.8 million in 2008 from RMB22.7 million in 2007 primarily due to increased interest income from bank deposits.

Other net income. Our other net income increased to RMB18.5 million in 2008 from RMB0.9 million in 2007. Other net income for 2008 was primarily attributable to net exchange gain of RMB20.0 million in connection with our bank loans denominated in foreign currencies, partially offset by total compensation of RMB1.7 million paid to some buyers due to late delivery of their properties. Other net income for 2007 was primarily attributable to compensation of RMB2.5 million paid to us from a tenant that delayed its move into a leased property, partially offset by net exchange loss of RMB1.7 million in connection with our bank loans denominated in foreign currencies.

Selling and marketing expenses. Our selling and marketing expenses increased by 11.5% to RMB97.5 million in 2008 from RMB87.4 million in 2007. This increase was primarily due to an increase in general sales, marketing and advertising activities as a result of an increased RMB amount of pre-sales, leading to higher commissions.

General and administrative expenses. Our general and administrative expenses increased by 61.7% to RMB152.9 million in 2008 from RMB94.5 million in 2007. This increase was primarily due to an increase in overall employee salaries and training costs as a result of our operation expansion.

Other operating expenses. Our other operating expenses increased by 72.8% to RMB20.3 million in 2008 from RMB11.7 million in 2007. Our other operating expenses for 2008 were primarily attributable to losses of RMB6.1 million from the provision of heat and hot water to certain property owners, RMB6.1 million in compensation paid to a counterparty in connection with our cancellation of a commercial rental agreement in relation to the Landmark project in Zhengzhou and a total of RMB3.3 million in donations in connection with Sichuan earthquake relief and the Hope Project. Our other operating expenses for 2007 were primarily attributable to maintenance expenses of RMB6.4 million and heat and hot water expenses of RMB2.9 million.

Share of losses of joint ventures. We recorded share of losses of joint ventures of RMB0.3 million in 2007 in connection with the operating loss incurred by CCRC Zhongyuan, in which we had a 50% interest during 2007. In December 2007, we acquired the remaining 50% interest in CCRE Zhongyuan. As a result, it became our wholly owned subsidiary and we no longer had share of losses of joint ventures in 2008.

Share of losses of associates. Our share of losses of associates increased 28.9% to RMB3.0 million in 2008 from RMB2.3 million in 2007. Our share of losses of associates represented share of loss for operating expenses incurred by St. Andrews Zhengzhou.

Finance costs. Our finance costs increased by 8.7% to RMB53.1 million in 2008 from RMB48.9 million in 2007. This increase was primarily due to a decrease in capitalized borrowing costs to RMB62.9 million in 2008 from RMB78.0 million in 2007.

Profit before change in fair value of investment properties and income tax. As a result of the foregoing, our profit before change in fair value of investment properties and income tax increased by 229.3% to RMB960.8 million in 2008 from RMB291.7 million in 2007.

Change in fair value of investment properties. We recorded a decrease of RMB1.4 million in fair value of our investment properties in 2008 as compared to an increase of RMB13.8 million in 2007. These changes were due primarily to property market conditions during the relevant periods.

Profit before taxation. Our profit before taxation increased by 214.0% to RMB959.4 million for 2008 from RMB305.5 million for 2007.

Income tax. Our income tax increased by 125.6% to RMB304.5 million in 2008 from RMB135.0 million in 2007, while the effective tax rate decreased to 31.7% from 44.2% over the same period. The increased income tax over this period was as a result of increased revenue. The decrease in effective tax rate is primarily due to the decrease of CIT rate from 33% to 25% in 2008 and the fact that most of our profitable subsidiaries used the authorized taxation method, which uses revenue rather than assessable profit in calculating tax. Therefore, as our gross profit margin increased in 2008, the effective tax rate decreased under the authorized taxation method during the same period.

Profit for the year. Our profit for the year increased by 284.0% to RMB654.9 million in 2008 from RMB170.6 million in 2007.

Liquidity and Capital Resources

Cash Flows

The following table sets forth our net cash flow for the periods indicated:

	For the year ended December 31,				For the seven months ended July 31,		
	2007	2008	2009	2009	2009	2010	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Net cash (used in)/generated from operating activities	(273,747)	259,194	15,005	2,215	(198,387)	(634,365)	(93,654)
Net cash (used in)/generated from investing activities . .	(187,999)	(384,051)	(108,711)	(16,049)	47,205	(529,746)	(78,209)
Net cash generated from financing activities	550,074	670,070	1,528,798	225,703	1,054,477	815,308	120,367
Net increase/(decrease) in cash and cash equivalents	88,328	545,213	1,435,092	211,869	903,295	(348,803)	(51,496)
Cash and cash equivalents at end of year/period	399,602	927,721	2,364,987	349,153	1,830,785	2,017,902	297,911

Cash Flows from Operating Activities

Our cash used in operating activities principally comprises amounts we pay for our property development activities. Our cash generated from operating activities is principally from the proceeds from the sales of our properties, including pre-sales of properties under development, as well as rental fees received from property leasing and service fees received for our performance under certain construction contracts.

During the seven months ended July 31, 2010, our net cash used in operating activities was RMB634.4 million. Our net cash used in operating activities for the seven months ended July 31, 2010 consisted primarily of cash generated from operations before changes in working capital of RMB475.7 million, offset by a decrease in working capital of RMB835.4 million and PRC income tax paid of RMB274.7 million. Our cash generated from operations before changes in working capital was a result of profit before taxation of RMB430.1 million and expenses from activities other than operating activities of RMB45.6 million. The expenses from activities other

than operating activities primarily consisted of finance costs of RMB49.9 million, depreciation and amortization of RMB8.1 million, and equity-settled share-based payment expenses of RMB3.3 million, partially offset by interest income of RMB15.7 million, and dividend income of RMB1.3 million. Working capital in the first seven months of 2010 decreased by RMB835.4 million, primarily due to an increase in properties for sale of RMB443.1 million, an increase in trade and other receivables of RMB344.3 million, an increase of deposits and prepayments of RMB167.3 million, a decrease of trade and other payables of RMB314.4 million and an increase in restricted bank deposits of RMB200.4 million, partially offset by an increase in receipts in advance of RMB644.2 million.

In 2009, our net cash generated from operating activities was RMB15.0 million. Our net cash generated from operating activities for 2009 consisted primarily of cash generated from operations before changes in working capital of RMB680.2 million, offset by a decrease in working capital of RMB464.9 million and PRC income tax paid of RMB200.3 million. Our cash generated from operations before changes in working capital was a result of profit before taxation of RMB651.4 million and expenses from activities other than operating activities of RMB28.8 million. The expenses from activities other than operating activities primarily consisted of finance costs of RMB66.1 million, depreciation and amortization of RMB12.0 million, equity-settled share-based payment expenses of RMB8.3 million and impairment loss on property, plant and equipment of RMB5.4 million, partially offset by interest income of RMB39.0 million, net gain on disposals of property, plant and equipment of RMB16.0 million and gain on disposal of a subsidiary of RMB7.5 million. Working capital in 2009 decreased by RMB464.9 million, primarily due to an increase in deposits and prepayments of RMB802.4 million, an increase in properties for sale of RMB388.4 million and an increase in restricted bank deposits of RMB137.2 million, partially offset by an increase in receipts in advance of RMB822.9 million and an increase in trade and other payables and accruals of RMB80.1 million.

In 2008, our net cash generated from operating activities was RMB259.2 million. Our net cash generated from operating activities for 2008 consisted primarily of cash generated from operations before changes in working capital of RMB1,002.2 million, offset by a decrease in working capital of RMB544.7 million and PRC income tax paid of RMB198.3 million. Our cash generated from operations before changes in working capital was a result of profit before taxation of RMB959.4 million and expenses from activities other than operating activities of RMB42.8 million. The expenses from activities other than operating activities primarily consisted of finance costs of RMB53.1 million, depreciation and amortization of RMB9.7 million and equity-settled share-based payment expenses of RMB6.6 million, partially offset by interest income of RMB29.6 million. Working capital in 2008 decreased by RMB544.7 million primarily due to an increase in properties for sale of RMB963.1 million and a decrease in receipts in advance of RMB439.9 million, partially offset by an increase in trade and other payables and accruals of RMB489.1 million and a decrease in deposits and prepayments of RMB336.9 million.

In 2007, our net cash used in operating activities was RMB273.7 million. Our net cash used in operating activities for 2007 consisted primarily of cash generated from operations before changes in working capital of RMB331.9 million, offset by a decrease in working capital of RMB463.8 million and PRC income tax paid of RMB141.8 million. Our cash generated from operations before changes in working capital was a result of profit before taxation of RMB305.5 million and expenses from activities other than operating activities of RMB26.4 million. The expenses from activities other than operating activities primarily consisted of finance costs of RMB48.9 million and depreciation and amortization of RMB9.1 million, partially offset by interest income of RMB19.0 million and an increase in fair value of investment properties of RMB13.8 million. Working capital in 2007 decreased by RMB463.8 million, primarily due to an increase in properties for sale of RMB1,209.0 million and an increase in deposits and prepayments of RMB149.7 million, partially offset by an increase in receipt in advance of RMB370.9 million, an increase in trade and other payables and accruals of RMB247.1 million and a decrease in trade and other receivables of RMB225.0 million.

Cash Flows from Investing Activities

During the seven months ended July 31, 2010, our net cash used in investing activities was RMB529.7 million. Our net cash used in investing activities in the seven months ended July 31, 2010 primarily consisted of acquisition of additional interest in subsidiaries and joint ventures (including equity interests in CCRE Yuanda and CCRE Jili, and joint venture with Bridge Trust) of RMB450.0 million, payment for purchase of property, plant and equipment of RMB29.5 million, and payment for purchase of other financial assets of RMB55.0 million, partially offset by interest received of RMB15.6 million.

In 2009, our net cash used in investing activities was RMB108.7 million. Our net cash used in investing activities in 2009 primarily consisted of acquisition of additional interest in subsidiaries (including equity interests in Artstar Investments) of RMB163.4 million, payment for purchase of property, plant and equipment of RMB60.3 million, partially offset by net cash received upon disposal of a subsidiary of RMB50.0 million, interest received of RMB39.0 million and proceeds from disposals of property, plant and equipment of RMB25.9 million.

In 2008, our net cash used in investing activities was RMB384.1 million. Our net cash used in investing activities in 2008 primarily consisted of net cash paid upon acquisitions of subsidiaries (including equity interests in Country Star Holdings Limited, CCRE Huarun and Luohe Changjian Real Estate Company Limited) of RMB298.8 million, payment for purchase of property, plant and equipment of RMB45.9 million, prepayment for investment in a subsidiary of RMB44.3 million and acquisition of additional interest in subsidiaries of RMB21.0 million, partially offset by interest received of RMB29.6 million.

In 2007, our net cash used in investing activities was RMB188.0 million. Our net cash used in investing activities in 2007 primarily consisted of net cash paid upon acquisitions of subsidiaries of RMB82.6 million, acquisition of additional interest in a subsidiary (including CCRE Sun Town) of RMB47.7 million, payment for purchase of property, plant and equipment of RMB29.5 million, acquisition of an associate of RMB27.6 million and expenditure on investment properties and investment properties under development of RMB26.2 million, partially offset by interest received of RMB19.0 million.

Cash Flows from Financing Activities

During the seven months ended July 31, 2010, our net cash generated from financing activities was RMB815.3 million. The net cash generated from financing activities during the seven months ended July 31, 2010 consisted of proceeds from new bank loans of RMB761.0 million and proceeds from new other loans of RMB890.5 million, offset by repayment of bank loans of RMB530.2 million, dividends paid of RMB118.8 million, interest paid of RMB118.2 million and dividends paid to non-controlling interests of RMB4.9 million.

In 2009, our net cash generated from financing activities was RMB1,528.8 million. The net cash generated from financing activities in 2009 consisted of proceeds from new bank loans of RMB1,650.8 million, net proceeds from convertible bonds of RMB671.4 million, proceeds from new other loans of RMB546.6 million and capital contribution from non-controlling interests of RMB36.5 million, offset by repayment of bank loans of RMB770.7 million, repayment of other loans of RMB238.8 million, dividends paid of RMB193.8 million, interest paid of RMB159.1 million and dividends paid to non-controlling interests of RMB14.0 million.

In 2008, our net cash generated from financing activities was RMB670.1 million. The net cash generated from financing activities in 2008 consisted of issue of new shares of RMB1,121.3 million, proceeds from new bank loans of RMB840.1 million, proceeds from new other loans of RMB40.0 million and capital injected by non-controlling interests of RMB26.5 million, offset by repayment of bank loans of RMB1,060.8 million, dividends

paid of RMB152.0 million, interest paid of RMB119.9 million, repayment of other loans of RMB15.7 million, dividend paid to non-controlling interests of RMB5.5 million and capital distribution to non-controlling interests of RMB4.0 million.

In 2007, our net cash generated from financing activities was RMB550.1 million. The net cash generated from financing activities in 2007 consisted of proceeds from new bank loans of RMB977.7 million, issue of new shares of RMB500.0 million, capital injected by non-controlling interests of RMB80.6 million and proceeds from new other loans of RMB40.0 million, offset by repayment of bank loans of RMB603.6 million, repayment of other loans of RMB227.3 million, interest paid of RMB134.3 million, dividend paid of RMB76.6 million and dividend paid to non-controlling interests of RMB6.5 million.

Capital Resources

Property developments require substantial capital investment for land acquisition and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments from internal funds, borrowings from banks and other parties and funds raised from capital markets, such as our IPO in 2008 and our 2009 Convertible Bonds with Warrants. Our financing methods may vary from project to project and are subject to the limitations imposed by PRC regulations and monetary policies.

Cash and Cash Equivalents

Our cash and cash equivalents amounted to RMB2,017.9 million (US\$297.9 million), as of July 31, 2010, which excludes restricted cash of RMB707.4 million (US\$104.4 million).

Borrowings

Our borrowings primarily consist of loans from commercial banks and other financial institutions. As of July 31, 2010, we had aggregate borrowings (including convertible bonds) of RMB3,845.2 million (US\$567.7 million), a substantial portion of which was denominated in RMB and RMB998.8 million (US\$147.5 million) of which was denominated in HK dollars. Certain offshore borrowings are secured by equity pledges over some of our subsidiaries. Our project-specific onshore borrowings are typically secured by our properties under development and our land use rights, and we usually repay such borrowings using a portion of our pre-sale proceeds from the specific project.

Our borrowings have a range of maturities from less than one year to more than five years. As of July 31, 2010, the interest rate for our borrowings ranged from 2.1% to 16.0% per annum. Our available unused bank facilities as of July 31, 2010 amounted to approximately RMB4.8 billion (US\$0.7 billion).

The following table sets forth the level of our borrowings and their respective maturity profiles as of the dates indicated.

	As of December 31,				As of July 31,	
	2007	2008	2009		2010	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Bank loans	1,249,273	933,207	1,772,816	261,728	1,993,573	294,319
Within 1 year	1,001,273	488,790	982,154	144,999	1,023,228	151,063
After 1 year but within 2 years	248,000	424,417	646,226	95,405	896,827	132,402
After 2 years but within 5 years	—	20,000	144,436	21,324	73,518	10,854
Other loans	136,430	160,740	468,520	69,170	1,294,990	191,185
Within 1 year	—	123,950	95,640	14,120	826,120	121,964
After 1 year but within 2 years	109,130	36,790	119,010	17,570	316,870	46,781
After 2 years but within 5 years	27,300	—	253,870	37,480	152,000	22,440
Convertible bonds	—	—	551,288	81,389	556,658	82,182
Total	1,385,703	1,093,947	2,792,624	412,287	3,845,221	567,686

Subsequent to July 31, 2010, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general corporate purposes. As of July 31, 2010, our total outstanding loans were RMB3,845.2 million (US\$567.7 million). A substantial portion of these loans were secured by land use rights and properties as well as guaranteed by certain of our PRC subsidiaries.

For a description of our material indebtedness, see “Description of Other Material Indebtedness.”

2009 Convertible Bonds with Warrants

On August 31, 2009, we issued unsecured convertible bonds with the principal amount of HK\$765.0 million due 2014 and 76,097,561 warrants. The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is August 31, 2014. The convertible bonds can be converted to our shares at HK\$3.1 per share, subject to anti-dilutive adjustment. Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to August 31, 2014 at the exercise price of HK\$4.1 per share, subject to anti-dilutive adjustment. For more details of our 2009 Convertible Bonds with Warrants, see the section entitled “Description of Other Material Indebtedness.”

Capital Commitments

As of July 31, 2010, our contractual obligations in connection with our property development activities, other than loans and borrowings, amounted to RMB2,249.6 million (US\$332.1 million), primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual obligations, other than loans and borrowings, as of the dates indicated:

	As of December 31,				As of July 31,	
	2007	2008	2009		2010	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Capital commitments outstanding not provided for:						
Authorized but not contracted for . . .	4,930,150	7,955,669	6,690,626	987,765	10,585,833	1,562,830
Contracted but not provided for	628,666	1,695,217	1,758,903	259,674	2,249,599	332,118
Total capital commitments	5,558,816	9,650,886	8,449,529	1,247,439	12,835,432	1,894,948

Contingent Liabilities

As of July 31, 2010, we provided guarantees to PRC banks for loans with an aggregate principal amount of RMB2,592.2 million (US\$382.7 million), in respect of mortgages provided by the banks to purchasers of the properties we developed and sold. Our guarantees are issued from the dates of grant of the relevant mortgages and released upon issuance of property ownership certificates or after the full repayment of the underlying mortgages by the purchasers.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by purchasers of the properties, we are responsible to repay the outstanding mortgage loans, together with accrued interests thereon and any penalty owed by the purchasers in default to banks. We are entitled to take over the legal title of the related properties.

Capital Expenditures

The following table sets forth a summary of our capital expenditures for the periods indicated:

	As of December 31,				As of July 31,		
	2007 (RMB'000)	2008 (RMB'000)	2009 (RMB'000)	2009 (US\$'000)	2009 (RMB'000)	2010 (RMB'000)	2010 (US\$'000)
Purchase of property, plant and equipment	29,547	45,913	60,251	8,895	29,931	29,576	4,366
Expenditure on investment properties and investment properties under development	26,210	5,102	401	59	351	2,585	382
Total	55,757	51,015	60,652	8,954	30,282	32,161	4,748

Off-balance Sheet Commitments and Arrangements

Except for the contingent liabilities set forth above, we have not entered into any off-balance-sheet guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Market Risks

We are exposed to various types of market risks, including changes in interest rate risks, foreign exchange risks and inflation risks in the normal course of business.

Commodities Risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. Such purchase costs are generally accounted for as part of contractors' fees pursuant to our arrangements with the relevant contractors. Rising prices for construction materials will therefore affect our construction costs in the form of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials could have a significant impact on our results of operations.

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. Our indebtednesses are typically fixed-rate borrowings that are subject to negotiation in interest rate on an annual basis, and any increase in interest rates will increase our finance costs. We currently do not hedge our interest rate risk but may do so in the future.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and profits. The PBOC published benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2007, 2008 and 2009 and July 31, 2010 were 7.47%, 5.31%, 5.31% and 5.31%, respectively.

Foreign Exchange Rate Risk

We conduct our business exclusively in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. Fluctuations in the value of Renminbi to the U.S. dollar may adversely affect our cash flows, revenue, earnings and financial position. For example, if the value of Renminbi appreciates, we would record foreign exchange losses on bank balances and other assets we maintain in non-Renminbi currencies. Pending application of the net proceeds of this offering, we may invest the net proceeds from this offering in Temporary Cash Investments in U.S. dollars before they are used in our PRC operations. See "Risk Factors — Risks Relating to the PRC — Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on us and on your investment." We currently do not hedge our foreign exchange risk but may do so in the future.

Inflation

In recent years, China has not experienced significant inflation, and thus inflation has not had a material impact on our results of operations. According to the National Bureau of Statistics of China, the change in Consumer Price Index in China was 4.8%, 5.9% and -0.7% in 2007, 2008 and 2009, respectively.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our earnings before the following items:

- interest income;
- income tax expense;
- depreciation and amortization; and
- finance costs.

EBITDA is not a standard measure under either U.S. GAAP or HKFRS. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the year of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

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

The following table reconciles our profit for the year under HKFRS to our definition of EBITDA for the periods indicated.

	For the year ended December 31,				For the seven months ended July 31,		
	2007	2008	2009	2009	2009	2010	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Profit before taxation	305,545	959,383	651,352	96,162	162,140	430,094	63,497
Adjustments for							
interest income	(19,000)	(29,628)	(39,009)	(5,759)	(31,857)	(15,656)	(2,311)
depreciation and							
amortization	9,080	9,660	12,011	1,773	6,342	8,063	1,190
finance costs	48,873	53,144	66,080	9,756	27,788	49,898	7,367
EBITDA	<u>344,498</u>	<u>992,559</u>	<u>690,434</u>	<u>101,932</u>	<u>164,413</u>	<u>472,399</u>	<u>69,743</u>

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or period or as an indicator of operating performance or any other standard measure under HKFRS or U.S. GAAP. Our definition of EBITDA does not account for taxes, interest income, depreciation and amortization and finance costs. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

INDUSTRY OVERVIEW

The information in the section below has been derived, in part, from official government sources unless otherwise indicated. This information has not been independently verified by us or the Initial Purchasers or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

The Economy of China

Overview

The economy of China has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP increased from approximately RMB18,493.7 billion in 2005 to approximately RMB33,535.3 billion in 2009 at a CAGR of approximately 16.0%. The table below sets forth the GDP data for China for the years indicated:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>CAGR (2005 to 2009)</u>
Nominal GDP (in RMB billions)	18,493.7	21,631.4	26,581.0	31,404.5	33,535.3	16.0%

Source: National Bureau of Statistics of China

In 2009, China's per capita disposable income of urban households has increased to approximately RMB17,175, representing an 8.8% increase compared to 2008. The table below sets forth the per capita disposable annual income for urban households for China for the years indicated:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>CAGR (2005 to 2009)</u>
Per capita disposable income of urban households (in RMB)	10,493	11,760	13,786	15,781	17,175	13.1%

Source: National Bureau of Statistics of China

The Property Market in China

Overview

We believe the economic growth of China, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate are key factors in sustaining the growth of China's property market. Government housing reforms continue to encourage private ownership and it is expected that the proportion of urban residents who will own private properties will continue to increase in the future. The table below sets forth selected figures showing China's urbanization rate and the annual disposable income of the urban population in China for the periods indicated:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>CAGR (2005 – 2009)</u>
Urban population (in millions)	562.1	577.1	593.8	606.7	621.9	2.6%
Total population (in millions)	1,307.6	1,314.5	1,321.3	1,328.0	1,334.7	0.5%
Urbanization rate (%)	43.0%	43.9%	44.9%	45.7%	46.6%	—
Annual disposable income of urban households (in RMB millions)	5,898.1	6,786.1	8,186.1	9,574.3	10,681.1	16.0%

Source: National Bureau of Statistics of China

Investment in Property Development

Investment in property development in China increased from approximately RMB1,590.9 billion in 2005 to approximately RMB3,623.2 billion in 2009, representing a CAGR of approximately 22.8%. The table below sets forth investment in property development in China for the years indicated.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>CAGR (2005 to 2009)</u>
Investment in property development (in RMB billions)	1,590.9	1,942.3	2,528.9	3,120.3	3,623.2	22.8%

Source: National Bureau of Statistics of China

Property Price and Supply

The average price per sq.m. for the property market in China was approximately RMB4,695 in 2009, compared to approximately RMB3,168 in 2005, representing a CAGR of 10.3% over the period. Supply of properties in China also increased from approximately 534.2 million sq.m. in 2005 to approximately 726.8 million sq.m. in 2009, representing a CAGR of 8.0%.

The table below sets forth selected data relating to the PRC property market for the years indicated:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>CAGR (2005 – 2009)</u>
Total GFA completed (in million sq.m.)	534.2	558.3	606.1	665.5	726.8	8.0%
Total GFA sold (in million sq.m.)	554.9	618.6	773.5	659.7	947.6	14.3%
GFA of residential properties sold (in million sq.m.)	495.9	554.2	701.4	592.8	861.9	14.8%
Average price of properties (in RMB per sq.m.)	3,168	3,367	3,864	3,800	4,695	10.3%
Average price of residential properties (in RMB per sq.m)	2,937	3,119	3,645	3,576	4,474	11.1%

Source: National Bureau of Statistics of China

The Economy and the Property Market in Henan

Henan is located in central China covering approximately 167,000 sq.km. and spanning 18 prefecture-level cities, 21 county-level cities and 88 counties. It is a geographic hub for road transportation and had a total highway mileage of approximately 4,841 kilometers at the end of 2009, considerably greater than the 3,518 kilometers of highway covering the entire United Kingdom (as documented by the United Kingdom Department for Transport at the year end of 2008). In addition, the PRC Government plans to develop high speed railroad networks connecting Zhengzhou to Xi'an, Wuhan and Beijing. According to the National Bureau of Statistics of China, Henan was the second most populous province in China and ranked fifth in terms of nominal GDP. Henan's nominal GDP increased to approximately RMB1,948.0 billion in 2009 from approximately RMB1,058.7 billion in 2005, representing a CAGR of 16.5% which is higher than China's overall nominal GDP CAGR of 16.0% over the same period. The table below sets out selected economic statistics of Henan for the periods indicated:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>CAGR (2005 – 2009)</u>
Nominal GDP (RMB in billions)	1,058.7	1,236.3	1,501.2	1,801.9	1,948.0	16.5%
As a percentage of the GDP of the PRC (%)	5.7	5.7	5.6	5.7	5.8	—
Real GDP growth rate (%)	14.2	14.4	14.6	12.1	10.9	—
Per capita GDP (RMB)	11,346	13,172	16,012	19,181	20,597	16.1%

Source: Henan Provincial Bureau of Statistics

Historically, Henan had a low rate of urbanization. According to the national and Henan-specific statistical data published, as of the year end of 2009, the urbanization rate of the province was approximately 39.6%, lower than the national average of 46.6%. In January 2010, the National Development and Reform Commission promulgated the “Plan for Promoting the Rise of Central China” (促進中部地區崛起規劃) (the “Plan”) with a view to further developing the economy of six provinces in Central China, including Henan. We believe the unique geographic location of Henan in Central China has allowed it to significantly benefit from the Plan. Construction of public transportation and city clusters and expansion of logistics networks are driving the economic development in Henan. Certain major cities in Henan have shown a rising consumption and purchasing power of residents.

The table below sets forth details of the urban population of Henan from 2005 to 2009:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>CAGR (2005 – 2009)</u>
Urban population (in million)	29.9	31.9	33.9	35.7	37.6	5.9%
Total population (in million)	93.8	93.9	93.6	94.3	94.9	0.3%
Urbanization rate (%)	31.9	34.0	36.2	37.9	39.6	—
Urban population growth rate (%)	6.4	6.7	6.3	5.3	5.3	—
Per capita disposable income of urban households (RMB)	8,668	9,810	11,477	13,231	14,372	13.5%

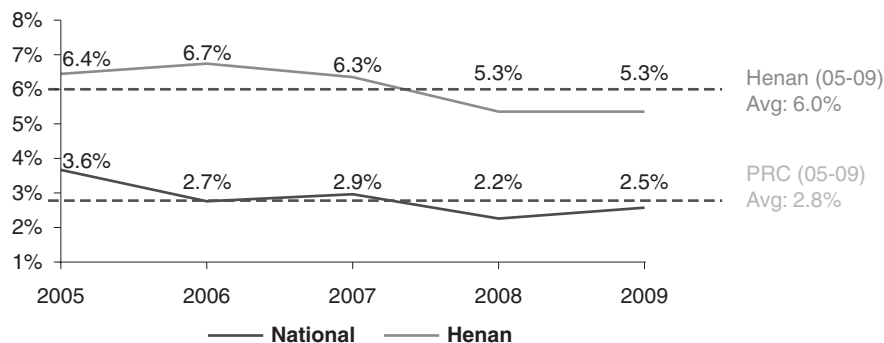
Sources: Henan Statistical Yearbook 2010, National Bureau of Statistics of China

The table below sets forth the growth rate of the urban population of Henan and the urban population of the PRC from 2005 to 2009:

<u>Year</u>	<u>Urban population</u>		<u>Urban population growth rate</u>	
	<u>National</u>	<u>Henan</u>	<u>National</u>	<u>Henan</u>
2005	562.1	29.9	3.6%	6.4%
2006	577.1	31.9	2.7%	6.7%
2007	593.8	33.9	2.9%	6.3%
2008	606.7	35.7	2.2%	5.3%
2009	621.9	37.6	2.5%	5.3%
Average	—	—	2.8%	6.0%

Sources: CEIC, Henan Statistical Yearbook 2010

The graph below shows the growth rate of the urban population of Henan from 2005 to 2009 against the growth rate of the urban population of the PRC from 2005 through 2009:



According to the Henan Statistical Yearbook 2010, a total GFA of 34.0 million sq.m. of commodity properties was completed in Henan in 2009, representing an increase of approximately 12.2% over 2008. For the same year, a total of 43.4 million sq.m. of commodity properties was sold, of which 40.2 million sq.m. was residential properties. The total sales revenue attributable to sales of commodity properties in 2009 amounted to approximately RMB115.6 billion, of which approximately RMB100.5 billion was from the sales of residential properties. The average price per sq.m. of commodity and residential properties in Henan in 2009 was approximately RMB2,666 and RMB2,501, respectively, representing an increase of approximately 14.0% and 17.0% over 2008. The table below sets forth selected data on the property market in Henan for the periods indicated.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	CAGR (2005 – 2009)
GFA of commodity properties completed (sq.m. in millions)	13.7	16.8	27.9	30.3	34.0	25.5%
GFA of residential properties completed (sq.m. in millions)	11.5	14.1	23.4	26.0	29.9	27.0%
GFA of commodity properties sold (sq.m. in millions)	17.2	24.1	39.3	31.9	43.4	26.0%
GFA of residential properties sold (sq.m. in millions)	15.4	21.9	35.7	29.4	40.2	27.1%
Percent of total GFA sold in the PRC (%)	3.1	3.9	5.1	4.8	4.6	—
Sales revenue from commodity properties (RMB in billions)	32.2	48.5	88.5	74.6	115.6	37.7%
Sales revenue from residential properties (RMB in billions)	25.5	40.4	74.3	62.9	100.5	40.9%

Source: Henan Statistical Yearbook 2010

The tables below set forth data on the average selling prices of commodity properties and residential properties in the 18 prefecture-level cities in Henan for the period between 2005 and 2009:

<u>City/Province</u>	Average price of commodity properties (RMB per sq.m.)					CAGR (2005 – 2009)
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	
Zhengzhou	2,638	2,888	3,574	3,929	4,294	13.0%
Kaifeng	1,982	1,886	2,379	2,066	2,376	4.6%
Luoyang	1,724	1,960	2,363	2,591	2,741	12.3%
Pingdingshan	1,426	1,549	1,643	1,863	2,027	9.2%
Anyang	1,655	1,675	1,636	1,969	1,936	4.0%
Hebi	1,129	1,306	1,621	1,751	1,941	14.5%
Xinxiang	1,409	1,463	1,551	1,778	1,898	7.7%
Jiaozuo	1,165	1,218	1,801	2,366	2,052	15.2%
Puyang	1,377	1,523	1,646	2,065	2,095	11.1%
Xuchang	1,446	1,482	1,679	1,933	2,334	12.7%
Luohe	1,284	1,466	1,752	1,618	1,976	11.4%
Sanmenxia	991	1,562	1,314	1,405	2,329	23.8%
Nanyang	1,356	1,424	1,546	2,038	1,943	9.4%
Shangqiu	1,103	1,459	1,896	1,504	1,850	13.8%
Xinyang	1,260	1,658	1,700	1,681	1,893	10.7%
Zhoukou	1,248	1,197	1,284	1,436	1,914	11.3%
Zhumadian	1,286	1,364	1,357	1,419	1,580	5.3%
Jiyuan	1,030	1,319	1,718	1,952	2,101	19.5%
Henan	1,867	2,012	2,253	2,339	2,666	9.3%

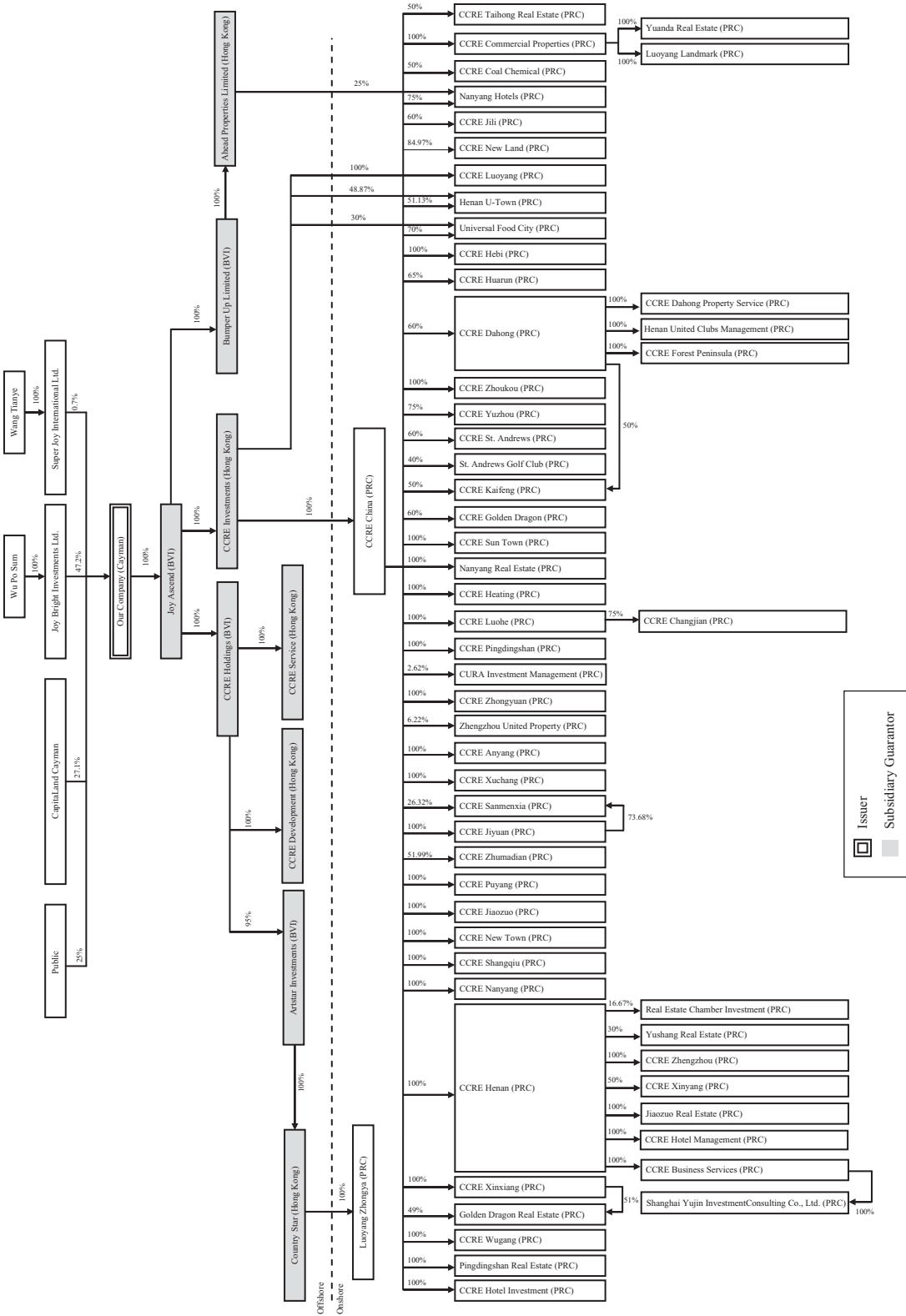
Source: Henan Statistical Yearbooks 2006 to 2010

Average price of residential properties
(RMB per sq.m.)

City/Province	2005	2006	2007	2008	2009	CAGR (2005 – 2009)
Zhengzhou	2,387	2,691	3,328	3,598	4,054	14.2%
Kaifeng	1,399	1,542	2,151	1,937	2,279	13.0%
Luoyang	1,527	1,800	2,197	2,471	2,547	13.6%
Pingdingshan	1,196	1,472	1,446	1,702	1,861	11.7%
Anyang	1,385	1,446	1,519	1,690	1,887	8.0%
Hebi	1,123	1,221	1,451	1,652	1,906	14.1%
Xinxiang	1,242	1,212	1,391	1,563	1,824	10.1%
Jiaozuo	965	1,059	1,669	2,201	1,959	19.4%
Puyang	1,337	1,465	1,671	2,003	2,066	11.5%
Xuchang	1,237	1,324	1,609	1,794	2,183	15.3%
Luohe	1,050	1,221	1,479	1,600	1,922	16.3%
Sanmenxia	1,005	1,134	1,221	1,412	2,099	20.2%
Nanyang	1,250	1,320	1,421	1,736	1,743	8.7%
Shangqiu	1,035	1,390	1,531	1,500	1,741	13.9%
Xinyang	1,086	1,370	1,486	1,488	1,707	12.0%
Zhoukou	1,047	1,093	1,217	1,371	1,860	15.4%
Zhumadian	1,158	1,318	1,313	1,404	1,529	7.2%
Jiyuan	924	1,059	1,462	1,772	1,990	21.1%
Henan	1,659	1,843	2,081	2,138	2,501	10.8%

Source: Henan Statistical Yearbooks 2006 to 2010

CORPORATE STRUCTURE



BUSINESS

Overview

We are the leading residential property developer in Henan, according to the China Real Estate Top 10 Research Team based on a number of factors including scale, profitability, financial stability and growth potential. (For more information, see “— Awards and Certificates” in this section.) With an operating history of 18 years in property development in Henan, we have established a well-recognized brand in Henan’s residential property market and completed an aggregate GFA of 4.6 million sq.m. between 1992 and July 31, 2010. Leveraging our experience and brand reputation, we have expanded into 22 cities across Henan, including all 18 prefecture-level cities and four county-level cities, as of July 31, 2010.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan’s strong economic growth and significant increase in urbanization. Henan is China’s second most populous province according to the National Bureau of Statistics of China, with a population of 94.9 million, second only to Guangdong, with 96.4 million. From 2005 through 2009, Henan’s GDP grew from RMB1,058.7 billion to RMB1,948.0 billion, representing a CAGR of 16.5%, exceeding the national average of 16.0%. During the same period, Henan’s urbanization rate also grew significantly by 7.7%, from 31.9% to 39.6%, which was yet at a level considerably below the national urbanization rate of 46.6% in 2009, leaving room for further growth in urbanization. In 2009, Henan’s urban population grew by 5.3%, which was more than double the average 2.5% growth nationally.

We believe Henan is a substantially end-user driven residential property market, which helps contribute to greater stability in pricing and sales volume, less exposure to cyclicity and policy changes compared to many other cities, particularly when the PRC government introduces policies aimed at curbing speculation in the residential property market. The majority of our residential properties are sold to end-users who are either first-time buyers or homeowners seeking a better residence. Our residential properties are targeted at mid- to high-income customers. To cater to the diverse needs of our target customers, our projects are typically integrated residential complexes offering a combination of products, ranging from villas and townhouses to low-rise and high-rise apartment buildings, with retail and other commercial facilities, community facilities and scenic surroundings.

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. CapitaLand’s shareholding in our Company is approximately 27.1% as of the date of this offering memorandum. CapitaLand has guided us in developing international best practices in risk and internal controls and helped us to keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisition. CapitaLand also performs regular internal control audits, contributing to significant enhancement of our corporate governance. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces pursuant to a deed of non-competition undertaken by CapitaLand China and CapitaLand Cayman. See “Our Relationship with CapitaLand.”

Since inception, we have fully completed a total of 21 projects with an aggregate GFA of 4.6 million sq.m. As of July 31, 2010, we had a total of 41 other projects in Henan in various stages of development, including an aggregate planned GFA of 1.5 million sq.m. of properties under development and an aggregate planned GFA of 6.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates. As of July 31, 2010, we had also entered into land grant contracts or land use rights transfer agreements in respect of development sites with an aggregate planned GFA of 3.4 million sq.m. for which we had not yet obtained land use rights certificates.

The following table sets forth the total cumulative GFA completed by city:

City	Cumulative GFA completed (thousand sq.m.)								As of July 31, 2010
	As of December 31,								
	2002	2003	2004	2005	2006	2007	2008	2009	
Zhengzhou	370	674	674	797	960	1,185	1,532	1,649	1,706
Puyang		64	64	64	64	64	178	178	178
Nanyang				55	74	74	74	74	74
Xinxiang				68	68	140	140	162	162
Shangqiu			54	54	83	142	142	182	182
Sanmenxia				35	88	88	88	205	205
Anyang				55	59	59	59	59	59
Luoyang				45	127	194	209	431	479
Zhumadian				68	68	127	216	216	255
Xuchang					65	105	105	105	105
Jiyuan					81	81	138	138	138
Pingdingshan						148	180	180	180
Jiaozuo						54	163	170	170
Luohe						75	132	132	179
Xinyang						43	66	133	133
Kaifeng							226	294	368
Zhoukou								31	31
Cumulative total	370	738	792	1,241	1,737	2,579	3,648	4,339	4,604

The following table sets forth the total number of projects completed by city:

City	Number of projects completed								For the seven months ended July 31, 2010
	For the year ended December 31,								
	2002	2003	2004	2005	2006	2007	2008	2009	
Zhengzhou	1			1					2
Puyang		1					1		
Nanyang				1	1				
Xinxiang						1			
Shangqiu			1		1				
Sanmenxia					3			1	
Anyang							1		
Luoyang									
Zhumadian									
Xuchang						1			
Jiyuan							2		
Pingdingshan							1		
Jiaozuo									
Luohe									
Xinyang									
Kaifeng									
Zhoukou									
Total	1	2	1	2	5	2	5	1	2
Cumulative total at end of year/ period	1	3	4	6	11	13	18	19	21

The following table sets forth the number of cities entered by year:

	Number of cities entered								For the seven months ended July 31, 2010
	For the year(s) ended December 31,								
	1992-2002	2003	2004	2005	2006	2007	2008	2009	
Prefecture-level cities									
Zhengzhou	1								
Puyang	1								
Nanyang	1								
Xinxiang	1								
Shangqiu	1								
Sanmenxia				1					
Anyang		1							
Luoyang			1						
Zhumadian	1								
Xuchang		1							
Jiyuan			1						
Pingdingshan				1					
Jiaozuo				1					
Luohe				1					
Xinyang					1				
Kaifeng						1			
Zhoukou							1		
Hebi								1	
County-level cities									
Puyang County	1								
Zhongmou County, Zhengzhou	1								
Sanmenxia County		1							
Yuzhou Shenhua, Xuchang							1		
Total	8	3	2	4	1	1	2	1	0
Cumulative total at end of year/period	8	11	13	17	18	19	21	22	22

We intend to continue to execute our strategy to focus on the Henan market (the “Provincial Strategy”) by further solidifying our leading position in Henan’s residential property market and leveraging our local knowledge and market reputation to expand our business in Henan. We plan to continue to focus on developing medium to large-scale residential communities in major prefecture-level cities. We also intend to continue our expansion in newly urbanized town centers of country-level cities. We believe these would allow us to capture the economic growth in Henan and to geographically broaden our revenue base.

For the years ended December 31, 2007, 2008 and 2009, our turnover was RMB1,821.7 million, RMB3,227.0 million and RMB2,739.8 million (US\$404.5 million), respectively, and our net profit attributable to equity holders of our Company was RMB165.0 million, RMB653.3 million and RMB405.3 million (US\$59.8 million), respectively. For the seven months ended July 31, 2010, our turnover was RMB1,723.3 million (US\$254.4 million) and our profit attributable to equity holders was RMB235.4 million (US\$34.8 million).

In June 2008, we completed our initial public offering on the Hong Kong Stock Exchange. As of September 30, 2010, our market capitalization was approximately HK\$3.8 billion (US\$0.5 billion), based on the closing price of our shares.

Our Competitive Strengths

We are the leading residential property developer in Henan

We are the leading residential property developer in Henan, according to the China Real Estate Top 10 Research Team based on a number of factors including scale, profitability, financial stability and growth potential. For more information, see “— Awards and Certificates” in this section. With an operating history of 18 years in property development in Henan, we have established a well-recognized brand in Henan’s residential property market and completed an aggregate GFA of 4.6 million sq.m. between 1992 and July 31, 2010. Leveraging our experience and brand reputation, we have expanded into 22 cities across Henan, including all 18 prefecture-level cities and four county-level cities, as of July 31, 2010.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan’s strong economic growth and significant increase in urbanization. Henan is China’s second most populous province according to the National Bureau of Statistics of China, with a population of 94.9 million, second only to Guangdong, with 96.4 million. From 2005 through 2009, Henan’s GDP grew from RMB1,058.7 billion to RMB1,948.0 billion, representing a CAGR of 16.5%, exceeding the national average of 16.0%. During the same period, Henan’s urbanization rate also grew significantly by 7.7%, from 31.9% to 39.6%, which was yet at a level considerably below the national urbanization rate of 46.6% in 2009, leaving room for further growth in urbanization. In 2009, Henan’s urban population grew by 5.3%, which was more than double the average 2.5% growth nationally. With an average property price of RMB2,666 per sq.m. in 2009 according to the Henan Statistical Yearbook 2010, we believe Henan’s property market is still at a relatively early stage of development with significant long term growth potential. We believe our established strong presence and leading position in Henan would well position us to capitalize on Henan’s growth.

We enjoy strong brand recognition supported by our high-quality differentiated products, design features and after-sales services; our strong brand and long track record in Henan have given us a significant competitive advantage

Having engaged in property development in Henan for 18 years, we have established “建业” (Jianye) as a well-recognized brand for good quality and innovative design in Henan’s residential property market and have sold an aggregate GFA of 4.4 million sq.m. since 1992. We received the “Top 10 Central and West China Real Estate Company by Brand Value” award in 2007, 2008 and 2009 according to the China Real Estate Top 10 Research Team. We have built our brand primarily through offering construction quality, design and services that we believe are among the best available in the relevant markets. We select and maintain good relationships with established architecture and design firms, construction companies and suppliers. We emphasize workmanship quality, innovative interior design and integrated landscaping to create desirable living environments. Moreover, we develop properties with designs and concepts tailored to meet the needs of our target customers, such as Forest Peninsula, Green Garden, U-town and Code One City. We also provide an array of value-added services, such as dining reservations, delivery services, ticketing and complimentary monthly newsletters to our customers through our membership program, the Jianye Club, which builds customer loyalty and further enhances our brand image.

We have received a large number of awards for our product quality and design innovation, such as the “Asian Habitation Model Project Award” given to the Forest Peninsula (Zhengzhou) project and the “China’s Representative Project in Zhengzhou” award given to the Landmark (Zhengzhou) project. We believe our experience and ability to develop high-quality properties, as well as the recognition accorded to us by the property industry and buyers alike, enable us to market our properties at a premium.

We have sufficient low-cost land reserves in strategic locations in Henan to support our future development

We undertake extensive market research to identify land in cities with significant development and growth potential. Currently our strategic presence encompasses 22 cities in Henan, which include all 18 prefecture-level

cities. We select cities for our projects based on GDP, population, disposable income, and other factors. Most of our land reserves are strategically located in town centers with convenient transportation access.

We believe we have been able to maintain a relatively low land cost base. The average acquisition cost of our land reserves as of July 31, 2010 was RMB510 per sq.m. of GFA. For the years ended December 31, 2007, 2008 and 2009 and the seven months ended July 31, 2010, our land acquisition cost recognized in cost of sales in respect of properties completed and sold accounted for 13.7%, 10.1%, 12.2% and 12.0% of our turnover from the sale of properties, respectively.

As of July 31, 2010, we had an aggregate planned GFA of 1.5 million sq.m. of properties under development and an aggregate planned GFA of 6.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates. As of July 31, 2010, we had also entered into land grant contracts or land use rights transfer agreements in respect of development sites with an aggregate planned GFA of 3.4 million sq.m. for which we had not yet obtained land use rights certificates. We believe that our current land reserves provide a solid foundation for our future growth. With our current land reserves, we believe we have a sufficient GFA for development for the next four to five years.

We have access to diverse funding sources

We have access to the international capital markets through equity and equity-linked debt offerings. We completed our IPO and listed our shares on the Hong Kong Stock Exchange in 2008, raising net proceeds of approximately HK\$1,259.9 million. Subsequent to our IPO, we completed an offering of our 2009 Convertible Bonds with Warrants, raising net proceeds of RMB671.4 million (US\$99.1 million). We also have established close relationships with a number of major PRC commercial banks and other financial institutions including trust companies. We believe that our ability to access different capital markets provides us with more flexibility to fund our operations and enhance our liquidity.

We benefit from strong relationships with strategic investors and business partners

We have strong relationships with international and domestic business partners. CapitalLand, one of the largest real estate companies in Asia, has been our second largest shareholder since December 2006. See “Our Relationship with CapitalLand.”

In addition, we have built up strong working relationships with established domestic and international design firms, construction companies, building material suppliers, and property management companies. In May 2008, we entered into a framework contract with Sheraton Overseas Management Corporation, a market leader in hotel management, for enhancing the operations of our hotel projects which was later revised by the parties in February 2010. These business partners help reinforce our strength in delivering high-quality products and services, ranging from design and construction to property management and hotel operation.

We have a highly effective management structure and an experienced management team

We adopt a two-tier centralized management structure. Our headquarters oversees design, engineering, marketing, finance and strategy, and our subsidiary companies manage day-to-day property operations. It enables us to effectively manage our project development in a cost-efficient manner by separating day-to-day management from corporate-level decision-making.

Mr. Wu Po Sum, our chairman and a founder of our Group, has extensive experience in property development in Henan and is a prominent real estate entrepreneur in China. He has won the “Most Influential Person in the China Real Estate Industry for the Last 15 Years” award granted by the China Real Estate Association in 2005 and the “Most Respected Entrepreneur in Henan Province in 2005” award granted by Henan Newspapers Group. In addition, our board of directors comprises experienced executive, non-executive and independent non-executive

members including, among others, two appointees from CapitalLand, one appointee from FountainVest and Mr. Wang Shi, chairman of China Vanke Co., Ltd. (one of the largest residential property developers in China). We have been able to capitalize on the collective expertise of our management team so that we can develop and sell properties that appeal to our target customers in various locations across Henan. We believe that we have benefited, and will continue to benefit, from our management's extensive experience and knowledge of the PRC property market.

Our Business Strategies

Further strengthen our leading position in Henan's residential property market

We intend to continue to execute the Provincial Strategy. We intend to further solidify our leading position in Henan's residential property market through further investments in land acquisitions in our key markets such as Zhengzhou and continue to leverage our local knowledge and market reputation to expand our business in the province, both in those cities where we already have developments and in others where we do not yet have developments. We plan to continue to focus on developing medium- to large-scale residential communities in major prefecture-level cities. We also intend to continue our expansion in newly urbanized town centers of county-level cities in Henan. We believe these would allow us to capture the economic growth in Henan and to geographically broaden our revenue base.

When suitable opportunities arise, we may also selectively expand our operations to develop residential properties in other provinces in China to complement our business development in Henan.

Strategically expand our land reserves

To grow our business, we intend to continue to strategically acquire development sites for future development, either directly through land acquisitions or indirectly by cooperating with business partners or acquiring a stake in project companies to jointly acquire development sites. We plan to continue to base our land acquisition decisions on thorough research and analysis of a project's expected return in the context of forecasted property and economic trends in the relevant city. We seek to maintain land reserves sufficient to support a development pipeline of four to five years on a rolling basis. We intend to continue to closely monitor our cash position and leverage ratio and actively manage our financing planning and cash flow. We seek to remain disciplined in our capital commitments and incurrence of additional debt with a view to maintaining a careful balance between land acquisition and prudent financial management.

Further improve our operational efficiency and profitability

We intend to further improve our operational efficiency and profitability in order to enhance our competitiveness and achieve sustainable and stable profit growth. We plan to continue to implement our business model of developing properties in product lines with similar designs and standardized construction materials across different project sites. Moreover, we plan to launch any new product lines in more mature markets such as Zhengzhou and, once successful, we would seek to develop such new products in other cities. We believe this approach promotes efficiencies of scale which in turn result in accelerated project development cycles and greater bargaining power in the procurement of materials and services.

We intend to further strengthen our collaborative relationship with business parties. Because the cost of building materials constitutes a significant portion of our total construction costs, we intend to continue to leverage our strategic relationship with major raw material suppliers to obtain favorable purchase prices for building materials. We also intend to strengthen our collaboration with other established service providers, such as design firms, construction companies and building management companies, under existing long-term framework agreements in order to further improve our cost efficiency.

Further enhance our brand recognition in Henan

We place significant emphasis on developing our brand image and will continue to introduce quality real estate products and service offerings in order to enhance our reputation. We have in the past worked closely with leading domestic and international architecture and design firms, such as Centaland, The Architecture Design and Research Institute of Henan, and Shenzhen General Institute of Architectural Design and Research, in creating products that reflect our vision and assimilate recent trends, and we intend to continue to do so in the future. To ensure a high quality of products, we have entered into strategic partnerships with a number of established construction companies and suppliers, such as Zhongtian Construction Group Co., Ltd., China Construction Seventh Engineering Division Corp. and LG Chem, Ltd. We intend to continue to employ strict quality control standards and to closely monitor product quality and workmanship throughout the development process.

In addition, we intend to expand our membership base for our Jianye Club and to enlist more merchants to participate in the Club so that we may offer more value and special privileges to our customers. We believe that by providing value-added services and products to our existing and prospective customers, we will be able to further enhance our brand recognition and strengthen brand loyalty.

Finally, we have begun considering making green products for sustainable growth in the coming years. We have created a dedicated task force within our Company to continue working on green issues. We also made the Jianye Green Declaration earlier this year, setting specific targets for sustainable development in the next several years. In 2011, we will select two high-end residential projects to implement green and low-carbon technology. By 2012, we expect that not less than 10% of our products will be specifically furnished and decorated to minimize waste by end-users. We believe these measures will make our projects more attractive and further strengthen our brand in the medium to long term.

Overview of our Property Developments

As of July 31, 2010, we had a total of 41 property projects in various stages of development, all of which are located in Henan. We classify our property projects, for which we have obtained the relevant land use rights certificates, into the following three categories:

- **Completed property developments.** A development is considered “completed” when a joint inspection report is signed by our project company, the contractors, the design firms, the surveying company and the supervisory company of the relevant development and the certificate of completion is issued.
- **Properties under development.** A property is considered as being “under development” immediately after the issuance of a construction permit but prior to the issuance of the completion certificate.
- **Properties held for future development.** A property is considered as being “held for future development” when we have obtained land use rights certificates but have not yet received the construction permit.

Our property projects are developed in multiple phases and each phase may be in a different stage of development. As of July 31, 2010, our completed property developments had an aggregate GFA of approximately 4.6 million sq.m. Our properties under development and properties held for future development (for which we had obtained land use rights certificates) had a total planned GFA of approximately 1.5 million sq.m. and 6.4 million sq.m., respectively.

Information for our projects is given in Gross Floor Area (“GFA”). GFA information is based on relevant land use rights certificates, land grant contracts or tender documents, depending on which documents are available. Total GFA of a project comprises saleable GFA and non-saleable GFA. Total GFA also represents the sum of the total completed GFA, total planned GFA under development and total planned GFA held for future development. A graphical presentation of the components of total GFA is below:

Saleable GFA <ul style="list-style-type: none"> • Internal floor areas allocated to rental units/properties for sale • GFA held for investment only • “Fixed asset” areas 		Non-Saleable GFA <ul style="list-style-type: none"> • Clubhouses • Schools • Other ancillary facilities not for sale 	
TOTAL GFA			
Total Completed GFA	Total Planned GFA under development*	Total Planned GFA held for future development*	

* Applicable only to properties that have not been completed

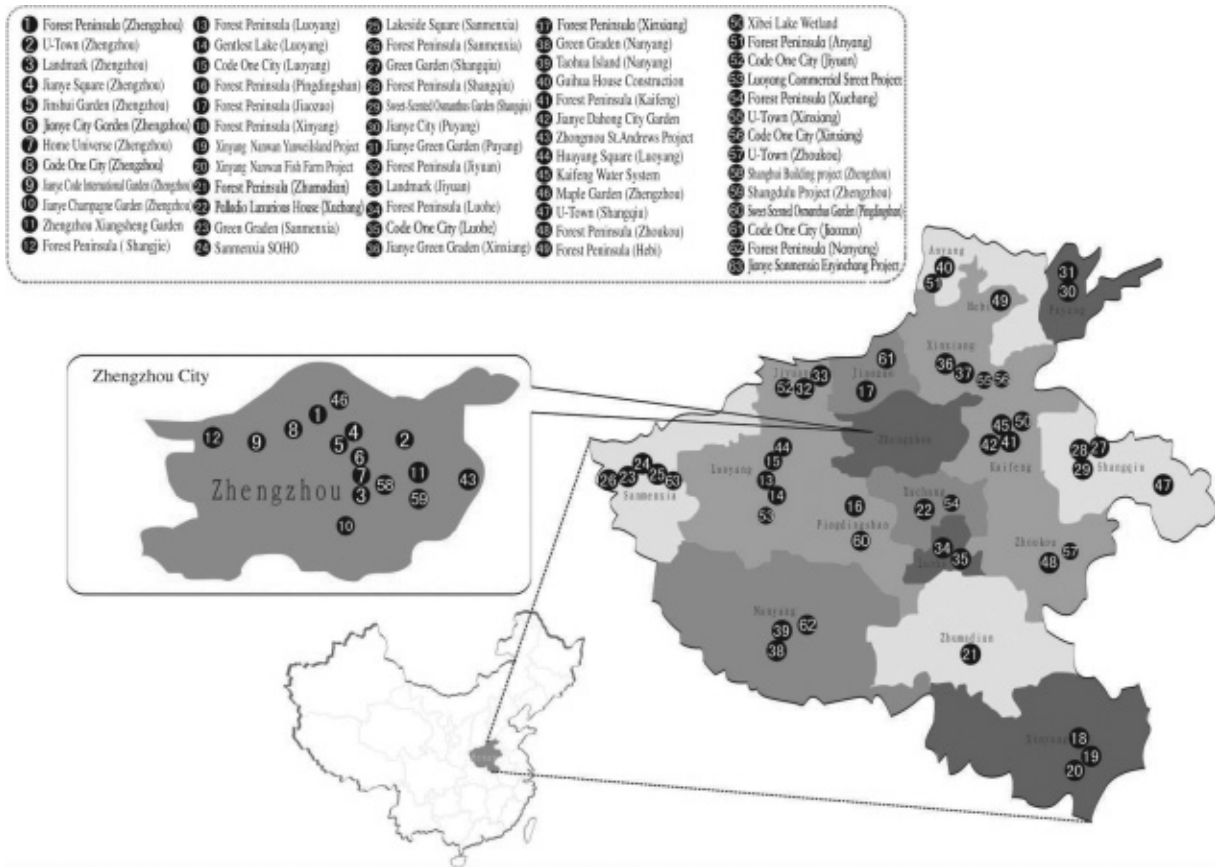
Total completed GFA refers to the total GFA of our completed property developments. It includes saleable and non-saleable GFA. “Saleable GFA” represents the GFA of a property which we intend to sell. Saleable GFA cannot exceed the specifications set forth in the relevant land grant contracts or other approval documents from the local governments. “Non-saleable GFA” represents the GFA of a property that is not for sale and largely includes ancillary facilities.

The figures for completed GFA that appear in this offering memorandum are based on figures provided in the relevant government documents. All other information that appears in this offering memorandum is based on our internal records and estimates.

Description of our Property Projects

Our property projects are located in 22 cities across Henan, including all 18 prefecture-level cities and four county-level cities. The following map shows the locations of our property projects in Henan.

Project Locations in Henan Province



The following table sets forth the information of our properties under development and properties for future development as of July 31, 2010 for which we have obtained the relevant land use rights certificates:

Project name	City	Total GFA/ unsold ^(a) GFA July 31, 2010 (sqm)	Land bank												
			GFA with land use right			GFA for future development (sqm)			GFA pending grant of land use right (sqm)				Construction commencement date	Construction completion date	Interest attributable for sale (%)
			Residential	Commercial ^(a)	Others ^(b)	Residential	Commercial ^(a)	Others ^(b)	Total	Residential	Commercial ^(a)	Others ^(b)			
U-Town V	Zhengzhou	118,896	—	35,802	5,099	40,901	—	64,636	13,359	77,995	—	106,947	20,063	127,010	100%
U-Town VI	Zhengzhou	127,010	—	—	—	—	—	—	—	—	—	80,923	4,663	113,563	100%
U-Town VII	Zhengzhou	113,563	—	—	—	—	—	—	—	—	—	—	—	—	100%
Landmark (Zhengzhou)	Zhengzhou	65,436	—	56,332	9,104	65,436	—	—	—	—	—	—	—	—	100%
Jiayue Square North	Zhengzhou	31,000	—	—	—	31,000	—	—	—	31,000	—	—	—	—	100%
Code One City	Zhengzhou	109,059	76,300	7,628	25,131	109,059	—	—	—	—	—	—	—	—	100%
Jiayue Code International Garden	Zhengzhou	57,397	30,821	4,234	10,055	45,110	10,213	1,546	528	12,287	—	—	—	—	100%
Maple Garden	Zhengzhou	83,689	67,293	4,764	11,632	83,689	—	—	—	—	—	—	—	—	100%
Forest Peninsula (Shangjie)	Zhengzhou	146,590	—	15,122	—	15,122	102,387	15,119	13,962	131,468	—	—	—	—	100%
Shangditu Project	Zhengzhou	115,980	—	—	—	48,381	60,599	7,000	115,980	—	—	—	—	—	100%
Shanghai Building Project	Zhengzhou	71,853	—	—	—	—	70,000	—	—	894,497	71,853	—	—	71,853	30%
St. Andrews Project	Zhengzhou	894,497	—	—	—	—	824,497	—	—	—	—	—	—	—	60%
Gentle Lake	Zhengzhou	368,063	91,375	2,550	2,950	96,875	152,200	36,516	82,472	271,188	—	—	—	—	100%
Code One City	Luoyang	169,377	—	—	—	—	109,779	25,000	34,598	169,377	—	—	—	—	100%
Huangyang Square	Luoyang	763,880	209,426	42,903	26,251	278,580	320,857	96,157	68,286	485,300	—	—	—	—	95%
Commercial Street Project	Luoyang	167,619	—	—	—	59,300	57,769	50,550	167,619	—	—	—	—	—	100%
Forest Peninsula	Xinyang	97,666	37,439	1,179	572	39,190	53,137	—	—	58,476	—	—	—	—	50%
Nanwan Fish Farm Project	Xinyang	53,209	—	—	—	47,460	1,000	—	—	53,209	—	—	—	—	50%
Nanwan Yanwei Island Project	Xinyang	32,961	—	—	—	32,961	—	—	—	32,961	—	—	—	—	100%
Forest Peninsula	Luohe	52,453	50,811	1,642	—	52,453	—	—	—	—	—	—	—	—	75%
Code One City	Luohe	644,936	66,263	2,849	300	69,412	408,500	113,881	53,143	575,524	—	—	—	—	60%
Kaifeng Zhengkai Forest Peninsula	Kaifeng	785,971	98,357	—	8,700	107,057	579,348	15,173	84,593	678,914	—	—	—	—	60%
Jiayue Dahong City Garden	Kaifeng	12,837	15,973	—	—	15,973	—	—	—	—	—	—	—	—	60%
Xibei Lake Wetland	Kaifeng	15,837	—	—	—	—	—	—	—	12,837	—	—	—	—	60%
Water System	Kaifeng	981,734	—	—	—	—	—	—	—	60,872	—	—	—	—	80%
Sweet Scented Osmanthus Garden	Shangqiu	53,288	46,332	—	6,956	53,288	—	—	—	—	—	—	—	—	100%
U-Town	Shangqiu	276,543	37,535	2,158	2,010	41,703	182,893	27,007	24,940	234,840	—	—	—	—	65%
Forest Peninsula	Zhoukou	483,771	36,710	—	225	36,935	406,313	11,000	29,523	446,836	—	—	—	—	100%
U-Town	Zhoukou	489,990	—	—	—	—	—	—	—	—	—	—	—	—	51%
Forest Peninsula	Jiaozuo	72,008	63,750	—	8,258	72,008	—	—	—	—	—	—	—	—	100%
Code One City	Jiaozuo	191,451	—	—	—	—	—	—	—	—	—	—	—	—	100%
Forest Peninsula	Xinxiang	83,373	29,786	6,682	9,000	45,468	28,990	—	—	—	—	—	—	—	60%
Code One City	Xinxiang	628,750	—	—	—	—	—	—	—	—	—	—	—	—	100%
U-Town	Xinxiang	416,611	—	—	—	—	—	—	—	—	—	—	—	—	60%
Jiayue City	Xinxiang	239,397	22,195	—	—	22,195	489,671	72,306	66,773	628,750	—	—	—	—	60%
Sweet Scented Osmanthus Garden	Puyang	256,300	—	—	—	—	395,000	8,000	13,611	416,611	—	—	—	—	100%
Forest Peninsula	Nanyang	671,350	—	—	—	—	175,527	10,375	31,300	217,202	—	—	—	—	100%
Forest Peninsula V	Zhumadian	50,762	50,762	—	—	50,762	—	—	—	—	—	—	—	—	100%
Forest Peninsula	Hebi	116,253	43,767	—	8,856	52,623	54,708	2,172	6,750	63,630	—	—	—	—	100%
Kuntai Project	Xuchang	169,004	—	—	—	—	—	—	—	—	—	—	—	—	70%
Forest Peninsula	Anyang	161,595	33,800	3,134	10,473	47,407	—	—	—	—	—	—	—	—	100%
Code One City	Jiyuan	480,115	21,800	—	3,675	25,475	373,240	6,000	75,400	454,640	—	—	—	—	100%
Jiayue Saanmenxia Eryinchang Project	Saanmenxia	330,079	—	—	—	—	—	—	—	—	—	—	—	—	100%
Total		11,252,289	1,130,495	186,979	149,247	1,466,721	4,947,234	737,529	683,883	6,368,646	508,224	334,110	3,416,922		
Other project:															
Xiangsheng Garden	Zhengzhou	44,497	37,162	—	7,335	44,497	—	—	—	—	—	—	—	—	100%

(a) Unsold GFA includes pre-sold but uncompleted GFA, the sales proceeds from which have not yet been recognized as revenue

(b) Includes retail, office and hotel

(c) Includes basements and car parks

The following table sets forth the breakdown of our land bank by city:

<u>City</u>	<u>Total GFA</u>	<u>Percent of total GFA</u>
Zhengzhou	1,934,970	17%
Luoyang	1,468,939	13%
Xinyang	183,836	2%
Luohe	697,389	6%
Kaifeng	1,796,515	16%
Shangqiu	329,831	3%
Zhoukou	973,761	9%
Jiaozuo	263,459	2%
Xinxiang	1,128,734	10%
Puyang	239,397	2%
Pingdingshan	256,300	2%
Nanyang	671,350	6%
Zhumadian	50,762	1%
Hebi	116,253	1%
Xuchang	169,004	2%
Anyang	161,595	1%
Jiyuan	480,115	4%
Sanmenxia	330,079	3%
Total	11,252,289	100%

The following table sets forth the breakdown of our land bank by property type:

<u>Type</u>	<u>Total GFA</u>	<u>Percent of total GFA</u>
Residential	8,652,317	77%
Commercial	1,432,732	13%
Other	1,167,240	10%
Total	11,252,289	100%

The following table sets forth the breakdown of our land bank by development phase:

<u>Development phase</u>	<u>Total GFA</u>	<u>Percent of total GFA</u>
Under development	1,466,721	13%
Pending for development	6,368,646	57%
Pending grant of land use rights	3,416,922	30%
Total	11,252,289	100%

Key Product Lines

We have developed four principal product lines: Forest Peninsula, Green Garden, U-Town and Code One City. As of July 31, 2010, they were deployed in 17 cities, five cities, four cities and six cities, respectively (including properties under development and properties held for future development). Our Forest Peninsula projects target customers in the high-end segment and feature streams, lakes, causeways, sidewalks and trees to create a “forest” or “lakeside” theme. Our Green Garden projects target customers in the mid-end market and feature green gardens to create a “garden” theme. Our Forest Peninsula projects mostly consist of villas, townhouses, low-rise apartment buildings, mid-rise apartment buildings, retail units and ancillary facilities, while our Green Garden projects mostly consist of low-rise apartment buildings, mid-rise apartment buildings and ancillary facilities. Our

U-Town projects consist of mixed-use developments, retail units, office buildings and residential apartments. Code One City projects consist of residential projects with a focus on innovative design and art deco.

As of July 31, 2010, we had 33 projects in various stages of development (including those fully completed) falling within the Forest Peninsula, Green Garden, U-Town and Code One City lines. Recent average selling prices in Zhengzhou ranged from RMB7,500 per sq.m. to RMB18,000 per sq.m. for Forest Peninsula projects, RMB9,000 per sq.m. to RMB22,000 per sq.m. for U-Town projects and RMB8,000 per sq.m. to RMB9,000 per sq.m. for Code One City projects. Recent average selling prices in other cities in which we have property developments ranged from RMB2,500 per sq.m. to RMB6,200 per sq.m. for Forest Peninsula projects, RMB4,500 per sq.m. to RMB6,800 per sq.m. for U-Town projects and RMB3,400 per sq.m. to RMB4,900 per sq.m. for Code One City projects. Recent average selling prices for our Green Garden projects are not available as we have not recently sold units in Green Garden projects and no such projects are currently under development.

Most of the properties we develop are residential complexes consisting of villas, townhouses, low-rise apartment buildings, mid-rise apartment buildings, high-rise apartment buildings and retail units. We target customers in the mid- to high-end segment, and select designs, materials, environmental elements and services with that market in mind.

Our focus is on the development of residential properties. Most of our retail units have been developed to complement our residential properties. These retail units are relatively small in terms of GFA and comprise only a small portion of the total GFA of our projects. Therefore, we have adopted a strategy of launching sales of the retail units after a large proportion of the residential properties in the project have been sold or pre-sold, which we believe facilitates the sales of the retail units. In light of the above, we believe the low percentage of saleable GFA of retail units sold in these projects would not affect our results of operations and liquidity position.

Zhengzhou City

U-Town (Zhengzhou) (鄭州聯盟新城)

U-Town (Zhengzhou) is located at Dongfeng East Road South in Zhengdongxin District of Zhengzhou City. It occupies a total site area of approximately 337,202 sq.m. It is being developed by CCRE New Town, our wholly owned subsidiary.

We are developing U-Town (Zhengzhou) in seven phases. As of July 31, 2010, construction of phases I, II, III and IV had been completed, phase V was under development and phases VI and VII were held for future development, pending grant of land use rights certificates. The project consists of townhouses, low-rise apartment buildings, office units and ancillary facilities including car parking spaces, clubhouses and a kindergarten.

The total GFA of phases I to IV of this project is approximately 284,768 sq.m. As of July 31, 2010, we had disposed of all of the saleable units in phases I to IV of this project.

Details of the remaining phases of this project as of July 31, 2010 are as follows:

Phase V

Planned construction period	September 2009 to December 2011
Development costs incurred (RMB million)	133.0
Estimated further development costs to complete the project (RMB million)	360.0
Total planned GFA under development (sq.m.)	40,901
Total planned GFA for future development (sq.m.)	77,995
Total completed GFA (sq.m.)	0
Total completed saleable GFA (sq.m.)	34,488
Total saleable GFA pre-sold (sq.m.)	33,153
Percentage of saleable GFA pre-sold (%)	96
Total number of units	146

Phase VI

Planned construction period	December 2010 to August 2012
Development costs incurred (RMB million)	250.0
Estimated further development costs to complete the project (RMB million)	314.0
Total planned GFA for future development (sq.m.)	127,010

Phase VII

Planned construction period	August 2010 to December 2010
Development costs incurred (RMB million)	381.0
Estimated further development costs to complete the project (RMB million)	250.0
Total planned GFA for future development (sq.m.)	113,563

Landmark (Zhengzhou) (鄭州置地廣場)

Landmark (Zhengzhou) is located at the intersection of Zhengbian Road and Zhongzhou Avenue in Zhengzhou City. It occupies a total site area of approximately 42,642 sq.m. It is being developed by CCRE China, our wholly owned subsidiary.

As of July 31, 2010 a portion of Landmark (Zhengzhou) had been completed and a portion was under development. The project consists of high-rise apartment buildings, furnished apartments, an office building, retail units, a hotel (which is expected to be managed based on four-star rating standards) and ancillary facilities including car parking spaces. Please refer to “— Hotel Development” in this section for further details of this planned hotel.

Pursuant to a legally binding framework agreement dated May 1, 2008 entered into between CCRE China and Farsighted International Limited (“Farsighted International”), in which CapitaLand indirectly holds a 30% interest, we sold retail units with an aggregate planned GFA of approximately 54,164 sq.m., together with 260 car parking spaces to one project company to be established by Farsighted International in China. As of July 31,

2010, a portion of this project had been completed and a portion remained under development. Please refer to “— Sales and marketing” in this section as well as the section headed “Related Party Transaction” in this offering memorandum.

Details of the portion of this project under development as of July 31, 2010 are as follows:

Construction period	January 2007 to December 2011
Development costs incurred (RMB million)	97.4
Estimated further development costs to complete the project (RMB million)	377.8
Total planned GFA under development (sq.m.)	65,436
Total planned GFA for future development (sq.m.)	0
Total completed GFA (sq.m.)	0

Jianye Square North (建業廣場北面)

Jianye Square North is located at the east sector of Weisi Road in Jinshui District of Zhengzhou City. It occupies a total site area of approximately 24,978 sq.m. It is being developed by CCRE China, our wholly owned subsidiary.

We are developing Jianye Square North in two phases. As of July 31, 2010, phase I had been completed and phase II was held for future development. The project consists of high-rise apartment buildings and retail units.

The total GFA of phase I of this project is approximately 44,908 sq.m. As of July 31, 2010, we had disposed of all of the saleable units in phase I of this project.

Details of the remaining portion of this project as of July 31, 2010 are as follows:

Phase II

Planned construction period	Mar 2012 to July 2014
Development costs incurred (RMB million)	7.4
Estimated further development costs to complete the project (RMB million)	135.1
Total planned GFA for future development (sq.m.)	31,000

Code One City (Zhengzhou) (鄭州建業•壹號城邦)

Code One City (Zhengzhou) is located at the intersection of Nanyang Road and Fengle Road in Zhengzhou City. It occupies a total site area of approximately 42,450 sq.m. It is being developed by CCRE Henan, our wholly owned subsidiary.

As of July 31, 2010, Code One City (Zhengzhou) was under development. The project consists of mid-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities including car parking spaces.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	May 2010 to December 2010
Development costs incurred (RMB million)	340.9
Estimated further development costs to complete the project (RMB million)	267.1
Total planned GFA under development (sq.m.)	109,059

Jianye Code International Garden (Zhengzhou) (鄭州建業•密碼國際)

Jianye Code International Garden (Zhengzhou) is located at the intersection of Songshan Road and Mianfang Road in Zhengzhou City. It occupies a total site area of approximately 13,769 sq.m. It is being developed by CCRE Henan, our wholly owned subsidiary.

As of July 31, 2010, Jianye Code International Garden (Zhengzhou) was under development. The project consists of high-rise apartment buildings, retail units and ancillary facilities including car parking spaces.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	March 2009 to August 2011
Development costs incurred (RMB million)	101.9
Estimated further development costs to complete the project (RMB million)	108.6
Total planned GFA under development (sq.m.)	45,110
Total planned GFA for future development (sq.m.)	12,287
Total completed GFA (sq.m.)	0

	<u>Residential</u>	<u>Retail</u>
Total saleable GFA pre-sold (sq.m.)	10,315	5,384
Percentage of saleable GFA pre-sold (%)	24.74	0
Total number of units	476	60

Maple Garden (Zhengzhou) (鄭州楓林上院)

Zhengzhou Maple Garden (Zhengzhou) is located at the intersection of Wenhua Road and Xinliu Road in Zhengzhou City. It occupies a total site area of approximately 23,581 sq.m. It is being developed by CCRE Zhongyuan, our wholly owned subsidiary.

As of July 31, 2010, Maple Garden was under development. The project consists of mid-rise apartment buildings, high-rise apartment buildings and retail units.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	March 2009 to December 2010
Development costs incurred (RMB million)	199.2
Estimated further development costs to complete the project (RMB million)	91.2
Total planned GFA under development (sq.m.)	83,689
Total planned GFA for future development (sq.m.)	0
Total completed GFA (sq.m.)	0

	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	66,036	4,963
Total saleable GFA pre-sold (sq.m.)	65,694	99
Percentage of saleable GFA pre-sold (%)	99	2
Total number of units	826	39

Forest Peninsula (Shangjie) (上街建業•森林半島)

Forest Peninsula (Shangjie) is located at the north of Xuchang Road and the west of Jinhua Road in Zhengzhou City. It occupies a total site area of approximately 118,959 sq.m. It is being developed by CCRE Henan, CCRE Zhengzhou and CCRE Hotel Management, our wholly owned subsidiaries.

We are developing Forest Peninsula (Shangjie) in four phases. As of July 31, 2010, construction of phase I had been completed and phases II and III were held for future development.

Based on our project plans, phases II and III are expected to consist of low-rise apartment buildings, mid-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities including car parking spaces and a hotel which is to be developed and managed by CCRE Hotel Management, our wholly owned subsidiary.

Details of this project as of July 31, 2010 are as follows:

Phase I

Construction period	August 2008 to November 2008
Development costs incurred (RMB million)	114.2
Total completed GFA (sq.m.)	50,237

	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	48,035	1,637
Total saleable GFA sold (sq.m.)	33,315	0
Percentage of saleable GFA sold (%)	70	0
Total number of units	407	7

Phases II to III

Planned construction period	June 2011 to September 2013
Development costs incurred (RMB million)	62.9
Estimated further development costs to complete the project (RMB million)	274.3
Total planned GFA for future development (sq.m.)	130,574

Hotel

Planned construction period	June 2009 to December 2011
Development costs incurred (RMB million)	34
Estimated further development costs to complete the project (RMB million)	187.4
Total planned GFA under development (sq.m.)	15,122
Total planned GFA for future development (sq.m.)	894

Shangdulu Project (鄭州商都路項目)

Zhengzhou Shangdu Road Project is located at the intersection of Shangdu Road and Zhongzhou Avenue. It occupies a total site area of approximately 29,423 sq.m. It is being developed by Yuanda Real Estate, our wholly owned subsidiary.

As of July 31, 2010, Shangdu Road Project was held for future development. Based on our project plans, the project is expected to consist of commercials and residents.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	December 2010 to December 2012
Development costs incurred (RMB million)	47.3
Estimated further development costs to complete the project (RMB million)	458.2
Total planned GFA for future development (sq.m.)	115,980

Shanghai Building Project (Zhengzhou) (鄭州商會大廈項目)

Shanghai Building Project is located at the east of Shilipu Street and to the south of Shangdu Road in Zhengzhou City. It occupies a total site area of approximately 10,265 sq.m. It is being developed by CCRE Coal Chemical, an associate which is 30% owned by us and 70% owned by an independent third party.

The project consists of offices and retail units.

Details of our projects of July 31, 2010 are as follows:

Construction period	December 2010 to June 2013
Development costs incurred (RMB million)	—
Estimated further development costs incurred to complete the project (RMB million)	100.1
Total planned GFA for future development (sq.m.)	71,853

St. Andrews Project (中牟聖安德魯斯項目)

St. Andrews Project is located at the Yanming Lake tourism zone in Zhongmou County. It occupies a total site area of approximately 836,000 sq.m. It is being developed by CCRE St. Andrews, a subsidiary which is 60% owned by us and 40% owned by an independent third party.

As of July 31, 2010, Zhongmou St. Andrews Project was held for future development. Based on our project plans, the project will consist of townhouses, low-rise apartment buildings and retail units.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	September 2012 to December 2019
Development costs incurred (RMB million)	259.4
Estimated further development costs to complete the project (RMB million)	2,394.6
Total planned GFA for future development (sq.m.)	894,497

Luoyang City

Gentlest Lake (洛陽美茵湖)

Gentlest Lake is located at the north of Nanyuan Yi Road in Luonan New District of Luoyang City. It occupies a total site area of approximately 193,973 sq.m. It is being developed by CCRE Luoyang, our wholly owned subsidiary.

We are developing Gentlest Lake in four phases. As of July 31, 2010, construction of phase I and II had been completed, phase III was under development, and phase IV was held for future development. Phases I and II consist of villas, low-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities including basement spaces. Based on our project plans, phases III and IV are expected to consist of villas, low-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities including basement spaces.

Details of this project as of July 31, 2010 are as follows:

Phase I

Construction period	November 2006 to December 2007	
Development costs incurred (RMB million)	185.8	
Total completed GFA (sq.m.)	67,041	
		<u>Residential</u> <u>Retail</u>
Total completed saleable GFA (sq.m.)	58,780	9,892
Total saleable GFA sold (sq.m.)	58,658	1,522
Percentage of saleable GFA sold (%)	99	15
Total number of units	182	24

Phase II

Construction period	June 2008 to September 2009	
Development costs incurred (RMB million)	212.6	
Total completed GFA (sq.m.)	82,404	
		<u>Residential</u>
Total completed saleable GFA (sq.m.)	78,451	
Total saleable GFA sold (sq.m.)	76,120	
Percentage of saleable GFA sold (%)	97	
Total number of units	657	

Phase III

Planned construction period	July 2010 to December 2011	
Development costs incurred (RMB million)	114.9	
Estimated further development costs to complete the project (RMB million)	158.5	
Total planned GFA under development (sq.m.)	96,875	
Total planned GFA for future development (sq.m.)	17,172	

Phase IV

Planned construction period	November 2010 to December 2012
Development costs incurred (RMB million)	73.8
Estimated further development costs to complete the project (RMB million)	463.4
Total planned GFA for future development (sq.m.)	186,300

Phase V

Planned construction period	March 2011 to March 2013
Development costs incurred (RMB million)	53.2
Estimated further development costs to complete the project (RMB million)	146.1
Total planned GFA for future development (sq.m.)	67,716

Code One City (Luoyang) (建業•壹號城邦)

Code One City (Luoyang) is located at No. 6 Nanchang Road in Luoyang City. It occupies a total site area of approximately 44,281 sq.m. It is being developed by CCRE Sun Town, a wholly-owned subsidiary.

We are developing Code One City (Luoyang) in two phases. As of July 31, 2010, phase I was completed and phase II was under development. Based on our project plans, the project is expected to consist of high-rise apartment buildings, SOHO (small office/home office) units, retail units and ancillary facilities including car parking spaces and basement spaces.

Details of this project as of July 31, 2010 are as follows:

Phase I

Planned construction period	May 2009 to March 2010
Development costs incurred (RMB million)	133.6
Total completed GFA (sq.m.)	47,700

	Residential
Total completed saleable GFA (sq.m.)	46,095
Total saleable GFA sold (sq.m.)	45,835
Percentage of saleable GFA sold (%)	99
Total saleable GFA pre-sold (sq.m.)	130
Percentage of saleable GFA pre-sold (%)	0.2
Total number of units	368

Phase II

Planned construction period	August 2010 to August 2012
Development costs incurred (RMB million)	116.7
Estimated further development costs to complete the project (RMB million)	413.5
Total planned GFA for future development (sq.m.)	169,377

Huayang Square (Luoyang) (洛陽華陽廣場)

Huayang Square (Luoyang) is located at the intersection of Jindu Road and Yan'an Road in Luoyang City. It occupies a total site area of approximately 290,171 sq.m. It is being developed by Luoyang Zhongya Real Estate Development Company Limited, in which we currently own an indirect 95% interest.

We are developing Huayang Square (Luoyang) in six phases. As of July 31, 2010, Huayang Square (Luoyang) (phase I) had been completed, Huayang Square (Luoyang) (phases II and III) were under development and Huayang Square (Luoyang) (phases IV to V) were held for future development. The project consists of office buildings high-rise apartment buildings, retail units and ancillary facilities including a clubhouse a kindergarten and a swimming pool complex.

Details of this project as of July 31, 2010 are as follows:

Phase I

Construction period	April 2008 to December 2009
Total development cost incurred (RMB million)	421.4
Total completed GFA (sq.m.)	139,911
	<u>Residential</u> <u>Retail</u>
Total completed saleable GFA (sq.m.)	104,136 10,200
Total saleable GFA sold (sq.m.)	104,136 10,200
Percentage of saleable GFA sold (%)	100 100
Total number of units	745 51

Phase II

Construction period	May 2009 to Sept 2009
Total development cost incurred (RMB million)	304.2
Estimated further development costs to complete the project (RMB million)	23.4
Total planned GFA under development (sq.m.)	133,898
	<u>Residential</u> <u>Retail</u>
Total saleable GFA under development (sq.m.)	104,470 8,390
Total saleable GFA sold (sq.m.)	104,118 7,546
Percentage of saleable GFA sold (%)	99 90
Total number of units	740 107

Phase III

Construction period	April 2010 to December 2011
Total development costs incurred (RMB million)	114.1
Estimated further development costs to complete the project (RMB million)	147.1
Total GFA under development (sq.m.)	144,682

	<u>Residential</u>	<u>Retail</u>
Total saleable GFA under development (sq.m.)	107,849	11,000
Total saleable GFA sold (sq.m.)	91,658	0
Percentage of saleable GFA sold (%)	85	0
Total number of units	823	157

Phase IV

Planned construction period	April 2011 to December 2012
Development costs incurred (RMB million)	63.9
Estimated further development costs to complete the project (RMB million)	239.4
Total planned GFA held for future development	112,055

Phase V

Planned construction period	December 2011 to December 2013
Development costs incurred (RMB million)	83.4
Estimated further development costs to complete the project (RMB million)	590.4
Total planned GFA for future development (sq.m.)	373,245

Commercial Street Project (商業街項目)

The Commercial Street Project is located at Zhongzhou Road in Xigong Sector of Louyang City. It occupies a total site area of approximately 23,971 sq.m. It is being developed by Luoyang Landmark, our wholly owned subsidiary.

As of July 31, 2010, the Commercial Street Project was held for future development. The project consists of high-rise apartment buildings, a shopping mall and car parking spaces.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	October 2010 to December 2012
Development costs incurred (RMB million)	249.5
Estimated further development costs to complete the project (RMB million)	700.7
Total planned GFA for future development (sq.m.)	167,619
Total completed GFA (sq.m.)	0

Xinyang City

Forest Peninsula (Xinyang) (信陽森林半島)

Forest Peninsula (Xinyang) is located at No. 182 Nanwan Street of Nanwan Administration District in Xinyang City. It occupies a total site area of approximately 147,841 sq.m. It is being developed by CCRE Xinyang. Per CCRE Xinyang's articles of association, we control its board of directors.

We are developing Forest Peninsula (Xinyang) in four phases. As of July 31, 2010, phases I and II had been completed, phases III was under development and phase IV was held for future development. The project consists of villas, low-rise apartment buildings, mid-rise apartment buildings and retail units.

Details of this project as of July 31, 2010 are as follows:

Phase I

Construction period	July 2007 to March 2008	
Development costs incurred (RMB million)	85.4	
Total completed GFA (sq.m.)	66,042	
	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	61,674	3,038
Total saleable GFA sold (sq.m.)	59,576	1,307
Percentage of saleable GFA sold (%)	97	43
Total number of units	464	34

Phase II

Construction period	April 2008 to August 2009	
Development costs incurred (RMB million)	111.1	
Total completed GFA (sq.m.)	66,505	
	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	65,301	0
Total saleable GFA sold (sq.m.)	52,107	0
Percentage of saleable GFA sold (%)	80	0
Total number of units	468	0

Phase III

Planned construction period	December 2009 to December 2010	
Development costs incurred (RMB million)	31.6	
Estimated further development costs to complete the project (RMB million)	69.1	
Total planned GFA under development (sq.m.)	39,190	
Total planned GFA for future development (sq.m.)	0	
Total completed GFA (sq.m.)	0	
	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	39,236	1,150
Total saleable GFA pre-sold (sq.m.)	17,264	161
Percentage of saleable GFA pre-sold (%)	44	14
Total number of units	283	25

Phase IV

Planned construction period	November 2010 to December 2011	
Estimated further development costs to complete the project (RMB million)	125.6	
Total planned GFA for future development (sq.m.)	58,476	

Nanwan Fish Farm Project (信陽南灣水產站項目)

Nanwan Fish Farm Project is located at Shangba Road of Nanwan Administration District in Xinyang City. It occupies a total site area of approximately 88,671 sq.m. It is being developed by CCRE Xinyang. Per CCRE Xinyang's articles of association, we control its board of directors.

As of July 31, 2010, Xinyang Nanwan Fish Farm Project was held for future development. Based on our project plans, the project is expect to consist of townhouses and low-rise apartment buildings.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	March 2011 to December 2011
Estimated further development costs to complete the project (RMB million)	122.4
Total planned GFA for future development (sq.m.)	53,209

Nanwan Yanwei Island Project (信陽南灣燕尾島項目)

Nanwan Yanwei Island Project is located at the Xianshan Village of Nanwan Administration District in Xinyang City. It occupies a total site area of approximately 27,467 sq.m. It is being developed by CCRE Xinyang. Per CCRE Xinyang's articles of association, we control its board of directors.

As of July 31, 2010, Xinyang Nanwan Yanwei Island Project was held for future development. Based on our project plans, the project is expected to consist of low-rise apartment buildings.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	September 2011 to December 2012
Estimated further development costs to complete the project (RMB million)	65.0
Total planned GFA for future development (sq.m.)	32,961

Luohe City

Forest Peninsula (Luohe) (漯河森林半島)

Forest Peninsula (Luohe) is located at the intersection of Songshan Road and Huaihe Road in Luohe City. It occupies a total site area of approximately 115,140 sq.m. It is being developed by CCRE Luohe, our wholly owned subsidiary.

We are developing Forest Peninsula (Luohe) in four phases. As of July 31, 2010, construction of phases I through III had been completed and phase IV was under development. The project consists of townhouses, low-rise apartment buildings, mid-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities including car-parking spaces.

Details of this project as of July 31, 2010 are as follows:

Phase I

Construction period	July 2006 to December 2006		
Development costs incurred (RMB million)	134.1		
Total completed GFA (sq.m.)	75,282		
		Residential	Retail
Total completed saleable GFA (sq.m.)	67,017	5,714	
Total saleable GFA sold (sq.m.)	66,999	1,532	
Percentage of saleable GFA sold (%)	99	27	
Total number of units	621	14	

Phase II

Construction period	September 2007 to September 2008		
Total development costs incurred (RMB million)	117.9		
Total completed GFA (sq.m.)	57,185		
		Residential	Retail
Completed saleable GFA (sq.m.)	53,162	0	
Total saleable GFA sold (sq.m.)	53,073	0	
Percentage of saleable GFA sold (%)	99	0	
Total number of units	383	0	

Phase III

Planned construction period	December 2008 to March 2010		
Development costs incurred (RMB million)	92.6		
Total completed GFA (sq.m.)	46,712		
		Residential	Retail
Total completed saleable GFA (sq.m.)	46,712	0	
Total saleable GFA sold (sq.m.)	35,793	0	
Percentage of saleable GFA sold (%)	77	0	
Total number of units	548	0	

Phase IV

Planned construction period	June 2008 to November 2010		
Development costs incurred (RMB million)	72.8		
Estimated further development costs to complete the project (RMB million)	47.9		
Total planned GFA under development (sq.m.)	52,453		

	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	52,167	0
Total saleable GFA pre-sold (sq.m.)	31,822	0
Percentage of saleable GFA pre-sold (%)	61	0
Total number of units	482	36

Code One City (Luohe) (漯河建業●壹號城邦)

Code One City (Luohe) is located at the intersection of Songshan Road West Section and No.2 Wei Road in Luohe City. It occupies a total site area of approximately 224,516 sq.m. It is being developed by CCRE Changjian, a subsidiary in which we have a 75% interest.

We plan to develop Code One City (Luohe) in six phases. As of July 31, 2010, phase I was under development and phases II to VI were held for future development. The project will consist of high-rise apartment buildings, retail units and a hotel.

Details of this project as of July 31, 2010 are as follows:

Phase I

Planned construction period	May 2010 to December 2010
Development costs incurred (RMB million)	93.2
Estimated further development costs to complete the project (RMB million)	100.9
Total planned GFA under development (sq.m.)	69,412

Phases II to VI

Planned construction period	September 2009 to April 2017
Development costs incurred (RMB million)	252.2
Estimated further development costs to complete the project (RMB million)	1,558.2
Total planned GFA for future development (sq.m.)	575,524

	<u>Phase II</u>	<u>Phase III</u>	<u>Phase IV</u>	<u>Phase V</u>	<u>Phase VI</u>	<u>Hotel</u>
Planned construction period	September 2009 to December 2012	August 2011 to April 2014	August 2012 to April 2015	August 2013 to April 2016	February 2014 to April 2017	April 2010 to October 2011
Development costs incurred (RMB million)	40.8	39.1	53.5	48.1	27.4	43.3
Estimated further development costs to complete the project (RMB million)	226.4	234.0	381.6	338.7	195.2	182.3
Total planned GFA for future development (sq.m.)	93,656	92,716	149,151	134,260	65,300	40,441

Kaifeng City

Kaifeng Zhengkai Forest Peninsula (開封鄭開森林半島)

Kaifeng Zhengkai Forest Peninsula is located at the north of Hanxing Road in Kaifeng City. It occupies a total site area of approximately 458,013 sq.m. We plan to develop Kaifeng Zhengkai Forest Peninsula in twelve phases. Phases II to VI will be developed by CCRE Forest Peninsula, a subsidiary which is 60% owned by us and 40% owned by Kaifeng Dahong Real Estate Development Company Limited (開封市大宏房地產開發有限公司), which is also a minority shareholder of CCRE Dahong. CCRE Dahong is a subsidiary which is 60% owned by us and 40% owned by the same minority shareholder. Phases VIII to XI are being developed by CCRE Dahong.

As of July 31, 2010, Kaifeng Zhangkai Forest Peninsula phase I had been completed, phases II, III, VI and VII were under development and the others were held for future development. The project consists of villas, low-rise apartment buildings, mid-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities including car parking spaces and basement spaces.

Details of this project as of July 31, 2010 are as follows:

Phase I

Construction period	April 2008 to December 2009
Total development costs incurred (RMB million)	139.6
Total completed GFA (sq.m.)	68,369
Total completed saleable GFA (sq.m.)	60,567
Total saleable GFA sold (sq.m.)	59,786
Percentage of saleable GFA sold (%)	99
Total number of units	560

Phase II

Planned construction period	July 2008 to August 2010
Development costs incurred (RMB million)	188.2
Total completed GFA (sq.m.)	74,268
Total completed saleable GFA (sq.m.)	45,755
Total saleable GFA sold (sq.m.)	44,314
Percentage of saleable GFA sold (%)	67
Total saleable GFA pre-sold (sq.m.)	21,057
Percentage of saleable GFA pre-sold (%)	32
Total number of units	500

Phase III

Planned construction period	September 2009 to December 2011
Development costs incurred (RMB million)	81.0
Estimated further development costs to complete the project (RMB million)	173.0
Total planned GFA under development (sq.m.)	107,057

Phase IV

Planned construction period	October 2010 to October 2011
Development costs incurred (RMB million)	37.0
Estimated further development costs to complete the project (RMB million)	289.0
Total planned GFA for future development (sq.m.)	101,047

Phase V

Planned construction period	April 2010 to November 2011
Development costs incurred (RMB million)	18.4
Estimated further development costs to complete the project (RMB million)	221.3
Total planned GFA for future development (sq.m.)	67,902

Phase VI

Planned construction period	August 2010 to December 2010
Development costs incurred (RMB million)	46.0
Estimated further development costs to complete the project (RMB million)	82.0
Total planned GFA for future development (sq.m.)	37,078

Phase VII

Planned construction period	August 2010 to May 2011
Development costs incurred (RMB million)	33.2
Estimated further development costs to complete the project (RMB million)	135.6
Total planned GFA for future development (sq.m.)	47,826

Phase VIII

Planned construction period	August 2010 to October 2011
Development costs incurred (RMB million)	33.6
Estimated further development costs to complete the project (RMB million)	107.6
Total planned GFA for future development (sq.m.)	39,239

Phase IX

Planned construction period	August 2010 to October 2011
Development costs incurred (RMB million)	16.2
Estimated further development costs to complete the project (RMB million)	140.9
Total planned GFA for future development (sq.m.)	45,608

Phase X

Planned construction period	April 2011 to July 2013
Development costs incurred (RMB million)	13.2
Estimated further development costs to complete the project (RMB million)	334.9
Total planned GFA for future development (sq.m.)	93,202

Phase XI

Planned construction period	April 2011 to July 2013
Development costs incurred (RMB million)	22.6
Estimated further development costs to complete the project (RMB million)	514.7
Total planned GFA for future development (sq.m.)	161,719

Phase XII

Planned construction period	October 2012 to July 2013
Development costs incurred (RMB million)	17.2
Estimated further development costs to complete the project (RMB million)	426.0
Total planned GFA for future development (sq.m.)	85,293

Jianye Dahong City Garden (建業大宏城市花園)

Jianye Dahong City Garden is located at the intersection of Huanghe Avenue and Jinyao Road in Kaifeng City. It occupies a total site area of approximately 151,824 sq.m. on a parcel of allocated land. It is being developed by CCRE Dahong, a subsidiary which is 60% owned by us and 40% owned by an independent third party.

We have been engaged by the Housing System Reform Commission Office of Kaifeng City to develop Jianye Dahong City Garden Project for economic housing in two phases. As of July 31, 2010, the construction of phase I had been completed and phase II was under development. The project consists of low-rise apartment buildings, retail units and ancillary facilities including car parking spaces.

Details of this project as of July 31, 2010 are as follows:

Phase I

Construction period	November 2007 to August 2008	
Development costs incurred (RMB million)	290.9	
Total completed GFA (sq.m.)	216,252	
	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	161,284	32,277
Total saleable GFA sold (sq.m.)	152,418	7,434
Percentage of saleable GFA sold (%)	95	23
Total number of units	1,924	205

Phase II

Planned construction period	March 2009 to December 2010	
Development costs incurred (RMB million)	23.9	
Estimated further development costs to complete the project (RMB million)	3.0	
Total planned GFA under development (sq.m.)	15,973	
	Residential	Retail
Total saleable GFA pre-sold (sq.m.)	9,310	0
Percentage of saleable GFA pre-sold (%)	65	0
Total number of units	182	8

Xibei Lake Wetland (開封西北湖項目)

Xibei Lake Project is located in Longting Area of Kaifeng city. It occupies a total site area of approximately 58,349 sq.m. It is being developed by CCRE Dahong, a subsidiary which is 60% owned by us and 40% owned by an independent third party.

As of July 31, 2010, Xibei Lake Wetland Project was held for future development. Based on our project plans, the project will consist of townhouses, low-rise apartment buildings and retail units.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	March 2011 to July 2012	
Development costs incurred (RMB million)	305.1	
Estimated further development costs to complete the project (RMB million)	3,399.6	
Total planned GFA for future development (sq.m.)	12,837	

Kaifeng Water System (開封水系)

Kaifeng Water System is part of the government's city reconstruction project in Kaifeng City. It occupies a total site area of approximately 804,700 sq.m. It is being developed by CCRE Kaifeng, a subsidiary which is 80% owned by us and 20% owned by an independent third party. The project consists of villas, low-rise apartment buildings, mid-rise apartment buildings, retail units and ancillary facilities including a clubhouse, a kindergarten and a swimming pool complex.

Details of our project as of July 31, 2010 are as follows:

Planned Construction period	December 2010 to September 2019	
Development costs incurred (RMB million)	305.1	
Estimated further development costs to complete the project (RMB million)	3,443.7	
Total planned GFA for future development (sq.m.)	981,734	

Shangqiu City

Sweet-Scented Osmanthus Garden (Shangqiu) (商丘桂園)

Sweet-Scented Osmanthus Garden is located at the east sector of Nanjing Road in Shangqiu City. It occupies a total site area of approximately 92,387 sq.m. It is being developed by CCRE Shangqiu, our wholly owned subsidiary.

We are developing Sweet-Scented Osmanthus Garden in four phases. As of July 31, 2010, construction of phases I, II and III had been completed and phase IV was under development. The project consists of low-rise apartment buildings, mid-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities.

Details of this project as of July 31, 2010 are as follows:

Phase I

Construction period	September 2006 to August 2007
Development costs incurred (RMB million)	56.0
Total completed GFA (sq.m.)	35,456
	Residential Retail
Total completed saleable GFA (sq.m.)	31,989 3,467
Total saleable GFA sold (sq.m.)	31,989 2,861
Percentage of saleable GFA sold (%)	100 83
Total number of units	278 11

Phase II

Construction period	July 2007 to December 2007
Development costs incurred (RMB million)	35.5
Total completed GFA (sq.m.)	23,299
Total completed saleable GFA (sq.m.)	23,299
Total saleable GFA sold (sq.m.)	23,299
Percentage of saleable GFA sold (%)	100
Total number of units	158

Phase III

Construction period	April 2008 to December 2008
Development costs incurred (RMB million)	71.8
Total completed GFA (sq.m.)	40,132
Total completed saleable GFA (sq.m.)	40,132
Total saleable GFA sold (sq.m.)	37,954
Percentage of saleable GFA sold (%)	94
Total number of units	322

Phase IV

Planned construction period	January 2010 to December 2010
Development costs incurred (RMB million)	54.5
Estimated further development costs to complete the project (RMB million)	64.9
Total planned GFA under development (sq.m.)	53,288
Total planned GFA for future development (sq.m.)	0
Total completed GFA (sq.m.)	0

	<u>Residential</u>	<u>Retail</u>
Total saleable GFA under development (sq.m.)	44,310	2,006
Total saleable GFA pre-sold (sq.m.)	16,299	1,348
Percentage of saleable GFA pre-sold (%)	37	67
Total number of units	422	44

U-Town (Shangqiu) (商丘聯盟新城)

U-Town (Shangqiu) is located at the intersection of Shenhua Avenue and Shuyuan Road in Shangqiu City. It occupies a total site area of approximately 223,187 sq.m. It is being developed by CCRE Shangqiu Huarun, a subsidiary 65% owned by us and 35% owned by an independent third party.

We are developing U-Town (Shangqiu) in seven phases. As of July 31, 2010, U-Town (Shangqiu) phase I was under development and phases II to VII were held for future development.

Details of this project as of July 31, 2010 are as follows:

Phase I

Planned construction period	April 2010 to December 2010
Development costs incurred (RMB million)	151.5
Estimated further development costs to complete the project (RMB million)	17.4
Total planned GFA under development (sq.m.)	41,703
Total saleable GFA pre-sold (sq.m.)	40,566
Percentage of saleable GFA pre-sold (%)	94
Total number of units	196

Phase II

Planned construction period	September 2010 to December 2011
Estimated further development costs to complete the project (RMB million)	62.0
Total planned GFA for future development (sq.m.)	24,213

Phase III

Planned construction period	March 2011 to December 2011
Estimated further development costs to complete the project (RMB million)	104.7
Total planned GFA for future development (sq.m.)	24,668

Phase IV

Planned construction period	September 2011 to December 2012
Estimated further development costs to complete the project (RMB million)	48.0
Total planned GFA for future development (sq.m.)	14,162

Phase V

Planned construction period	March 2012 to December 2012
Estimated further development costs to complete the project (RMB million)	170.8
Total planned GFA for future development (sq.m.)	49,500

Phase VI

Planned construction period	March 2013 to December 2012
Estimated further development costs to complete the project (RMB million)	153.1
Total planned GFA for future development (sq.m.)	43,000

Phase VII

Planned construction period	March 2014 to March 2015
Estimated further development costs to complete the project (RMB million)	279.8
Total planned GFA for future development (sq.m.)	88,291

Zhoukou City

Forest Peninsula (Zhoukou) (周口森林半島)

Forest Peninsula (Zhoukou) is located at the intersection of Donghuan Road and Fengqin Street in Zhoukou City. It occupies a total site area of approximately 215,121 sq.m. It is being developed by CCRE Zhoukou, a subsidiary in which we have a 100% interest.

As of July 31, 2010, construction of the phase I Low-Rise has been completed, phase I High-Rise and phase II projects were under development and phases III to VI were held for future development. The project consists of low-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities including car parking spaces.

Details of this project as of July 31, 2010 are as follows:

Phase I Low-rise

Construction period	June 2009 to December 2009
Development costs incurred (RMB million)	63.4
Total completed GFA (sq.m.)	30,596

	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	28,568	1,300
Total saleable GFA sold (sq.m.)	27,918	0
Percentage of saleable GFA sold (%)	98	0
Total number of units	210	12

Phase I High-rise

Planned construction period	July 2009 to March 2012	
Development costs incurred (RMB million)	18.0	
Estimated further development costs to complete the project (RMB million)	38.0	
Total planned GFA under development (sq.m.)	36,935	
	Residential	Retail
Total saleable GFA pre-sold (sq.m.)	4,089	0
Percentage of saleable GFA pre-sold (%)	17	0
Total number of units	214	5

Phase II

Planned construction period	May 2011 to March 2012	
Development costs incurred (RMB million)	38.9	
Estimated further development costs to complete the project (RMB million)	140.0	
Total planned GFA for future development (sq.m.)	28,524	
Total number of units	628	

Phase III

Planned construction period	May 2011 to March 2013	
Development costs incurred (RMB million)	15	
Estimated further development costs to complete the project (RMB million)	250	
Total planned GFA for future development (sq.m.)	65,030	

Phase IV

Planned construction period	October 2012 to August 2014	
Development costs incurred (RMB million)	10	
Estimated further development costs to complete the project (RMB million)	166.5	
Total planned GFA for future development (sq.m.)	52,900	

Phase V

Planned construction period	October 2013 to November 2015	
Development costs incurred (RMB million)	29	
Estimated further development costs to complete the project (RMB million)	295.8	
Total planned GFA for future development (sq.m.)	104,290	

Phase VI

Planned construction period	September 2014 to September 2016
Development costs incurred (RMB million)	34
Estimated further development costs to complete the project (RMB million)	381
Total planned GFA for future development (sq.m.)	196,092

U-Town (Zhoukou) (周口聯盟新城)

U-Town (Zhoukou) is located at the south of Jiaoteng Road and east of Guangming Road in Zhonkou City. It occupies a total site area of approximately 326,657 sq.m..

The project consists of villas, low-rise apartment buildings, mid-rise apartment buildings, retail units and ancillary facilities including a clubhouse, a kindergarten and a swimming pool complex.

Details of our project as of July 31, 2010 are as follows:

Construction period	December 2010 to September 2017
Development costs incurred (RMB million)	—
Estimated further development costs incurred to complete the project (RMB million)	320.5
Total completed GFA (sq.m.)	489,990

Jiaozuo City

Forest Peninsula (Jiaozuo) (焦作森林半島)

Forest Peninsula (Jiaozuo) is located at the north of Longyuan Road in Shanyang District of Jiaozuo City. It occupies a total site area of approximately 123,261 sq.m. It is being developed by CCRE Jiaozuo, our wholly owned subsidiary.

We are developing Forest Peninsula (Jiaozuo) in three phases. As of July 31, 2010, phases I and II had been completed and phase III was under development. The project consists of low-rise apartment buildings, mid-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities including basement spaces.

Details of this project as of July 31, 2010 are as follows:

Phase I

Construction period	November 2006 to November 2007
Development costs incurred (RMB million)	95.3
Total completed GFA (sq.m.)	53,998

	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	44,622	4,718
Total saleable GFA sold (sq.m.)	43,845	2,398
Percentage of saleable GFA sold (%)	98.3	50.8
Total number of units	262	21

Phase II

Construction period	September 2007 to December 2008
Development costs incurred (RMB million)	220.4
Total completed GFA (sq.m.)	109,085
	Residential Retail
Total completed saleable GFA (sq.m.)	103,738 4,042
Total saleable GFA sold (sq.m.)	93,094 621
Percentage of saleable GFA sold (%)	89.7 15.4
Total number of units	763 27

Phase III

Planned construction period	December 2008 to July 2011
Development costs incurred (RMB million)	120.0
Estimated further development costs to complete the project (RMB million)	83.8
Total planned GFA under development (sq.m.)	72,008
Total planned GFA for future development (sq.m.)	0
Total completed GFA (sq.m.)	9,445
	Residential Retail
Total completed saleable GFA (sq.m.)	2,402 4,832
Total saleable GFA sold (sq.m.)	2,402 224
Percentage of saleable GFA sold (%)	100 4.64
Total number of units	8 15

Code One City (Jiaozuo) (焦作壹號城邦)

Code One City (Jiaozuo) is located at the intersection of Hanyu Road and Minzhu Road in Jiaozuo City. It occupies a total site area of approximately 60,215 sq.m. It is being developed by Jiaozuo Real Estate, our wholly owned subsidiary.

As of July 31, 2010, Code One City (Jiaozuo) was held for future development. Based on our project plans, this project is expected to consist of high-rise apartment buildings and ancillary facilities.

Details of this project as of July 31, 2010 are as follows:

Phase I

Planned construction period	October 2010 to December 2012
Development costs incurred (RMB million)	26.0
Estimated further development costs to complete the project (RMB million)	248.1
Total planned GFA under development (sq.m.)	0
Total planned GFA for future development (sq.m.)	100,504
Total completed GFA (sq.m.)	0

Phase II

Planned construction period	October 2011 to December 2013
Development costs incurred (RMB million)	31.9
Estimated further development costs to complete the project (RMB million)	212.7
Total planned GFA under development (sq.m.)	0
Total planned GFA for future development (sq.m.)	90,947
Total completed GFA (sq.m.)	0

Xinxiang City

Forest Peninsula (新鄉森林半島項目)

Xinxiang Golden Dragon Project is located at the intersection of Nanerhuan Street and Fenghua Street in the Development Zone of Xinxiang City. It occupies a total site area of approximately 49,609 sq.m. It was developed by CCRE Golden Dragon, a subsidiary in which we have a 60% interest.

Construction of Xinxiang Golden Dragon Project is under development. The project consists of villas, high-rise apartment buildings, retail units and ancillary facilities including car parking spaces.

Details of this project as of July 31, 2010 are as follows:

Construction period	February 2009 to December 2011
Development costs incurred (RMB million)	141.9
Estimated further development costs to complete the project (RMB million)	177.5
Total planned GFA under development (sq.m.)	45,468
Total planned GFA for future development (sq.m.)	37,905
Total completed saleable GFA (sq.m.)	21,630
Total saleable GFA sold (sq.m.)	20,774
Percentage of saleable GFA sold (%)	96
Total saleable GFA pre-sold (sq.m.)	13,653
Percentage of saleable GFA pre-sold (%)	30
Total number of units	802

Code One City (Xinxiang) (新鄉壹號城邦)

Code One City (Xinxiang) is located at the intersection of Xiangyang and Xinyi Road. It occupies a total site area of approximately 183,105 sq.m. It is being developed by Golden Dragon Real Estate, our wholly owned subsidiary.

As of July 31, 2010 Code One City (Xinxiang) is held for future development. Based on our project plans, the project consists of high-rise apartment buildings, retail units and ancillary facilities including car parking spaces, basements and a kindergarten.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	September 2010 to May 2019
Development costs incurred (RMB million)	255.7
Estimated further development costs to complete the project (RMB million)	1,710.8
Total planned GFA for future development (sq.m.)	628,750

U-Town (Xinxiang) (新鄉聯盟新城)

The Project is located at the intersection of Xin Changbei Line and Xiaodianzheng Road Middle Section. It occupies a total site area of approximately 263,381 sq.m. It is being developed by CCRE Jili, a subsidiary in which we have a 60% interest.

The Project is held for future development. Based on our project plans, the project consists of villas, low-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities including car parking spaces and a kindergarten.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	October 2010 to September 2017
Development costs incurred (RMB million)	63.0
Estimated further development costs to complete the project (RMB million)	991.6
Total planned GFA for future development (sq.m.)	416,611

Puyang City

Jianye City (Puyang) (濮陽建業城)

Jianye City (Puyang) is located at Jiefang Avenue North Section Road East in Puyang City. It occupies a total site area of approximately 219,883 sq.m. It is being developed by CCRE Puyang, our wholly owned subsidiary.

We are developing Jianye City (Puyang) in five phases. As of July 31, 2010, construction of phases I, II and III had been completed, phase IV was under development and phase V was held for future development. The project consists of villas, low-rise apartment buildings, mid-rise apartment buildings and ancillary facilities including a clubhouse and car parking spaces.

Details of this project as of July 31, 2010 are as follows:

Phases I to III

Construction period	January 2007 to December 2008
Development costs incurred (RMB million)	162.0
Total completed GFA (sq.m.)	113,963
Total completed saleable GFA (sq.m.)	107,131
Total saleable GFA sold (sq.m.)	99,499
Percentage of saleable GFA sold (%)	93
Total number of units	752

Phase IV

Planned construction period	May 2009 to December 2010
Development costs incurred (RMB million)	40.2
Estimated further development costs to complete the project (RMB million)	331.4
Total planned GFA under development (sq.m.)	22,195
Total planned GFA for future development (sq.m.)	61,262

	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	0	0
Total saleable GFA sold (sq.m.)	0	0
Percentage of saleable GFA sold (%)	0	0
Total saleable GFA pre-sold (sq.m.)	8,893	508
Percentage of saleable GFA pre-sold (%)	42	50
Total number of units	208	18

Phase V

Planned construction period	December 2010 to June 2013
Estimated further development costs to complete the project (RMB million)	108
Total planned GFA for future development (sq.m.)	155,940

Pingdingshan City

Sweet Scented Osmanthus Garden (Pingdingshan) (平頂山桂園)

Sweet Scented Osmanthus Garden is located at the west of Yuying Road and the North of Longxiang Avenue. It occupies a total site area of approximately 73,110.8 sq.m. It is being developed by Central China Road Estate Group Pingdingshan Company Limited, our wholly owned subsidiary. As of July 31, 2010, Sweet Scented Osmanthus Garden is held for future development. Based on our project plans, the project is expected to consist of mid-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	November 2010 to May 2014
Development costs incurred (RMB million)	127.8
Estimated further development costs to complete the project (RMB million)	433.7
Total planned GFA for future development (sq.m.)	256,300

Forest Peninsula (Nanyang) (南陽森林半島)

Forest Peninsula (Nanyang) is located at the crossing of Lakeside Road and 312 National Highway. It occupies a total site area of approximately 309,057 sq.m. It is being developed by Nanyang Real Estate and Nanyang Hotels, our wholly owned subsidiaries.

We plan to developed Forest Peninsula (Nanyang) in six phases. As of July 31, 2010, Forest Peninsula (Nanyang) was held for future development.

Details of our projects as of July 31, 2010 are as follows:

Phase I to V

Planned construction period	October 2010 to May 2017
Development costs incurred (RMB million)	17.8
Estimated further development costs to complete the project (RMB million)	346.5
Total planned GFA for future development (sq.m.)	621,550

Phase VI: Holiday Inn Henan Nanyang (南陽假日酒店)

Planned construction period	September 2010 to May 2012
Development costs incurred (RMB million)	2.8
Estimated further development costs to complete the project (RMB million)	587
Total planned GFA for future development (sq.m.)	49,800

Zhumadian City

Zhumadian Project (駐馬店項目)

Zhumadian Project is located at the intersection of Jinshan Road and Huaihe Avenue in Zhumadian City. It occupies a total site area of approximately 226,274 sq.m. It is being developed by CCRE Zhumadian, a subsidiary 52% owned by us and 48% owned by an independent third party.

We are developing Zhumadian Project in five phases—Green Garden (Zhumadian) (phase I) and Forest Peninsula (Zhumadian) (phases II to V). As of July 31, 2010, Green Garden (Zhumadian) (phase I) and Forest Peninsula (Zhumadian) (phases II, III and phase IV) had been completed, and Forest Peninsula (Zhumadian) (phase V) was under development. The project consists of villas, low-rise apartment buildings, mid-rise apartment buildings, retail units and ancillary facilities including a clubhouse, a kindergarten and a swimming pool complex.

Details of the remaining phase of this project as of July 31, 2010 are as follows:

Forest Peninsula (Zhumadian) (Phase V)

Planned construction period	July 2008 to September 2010
Development costs incurred (RMB million)	141.3
Estimated further development costs to complete the project (RMB million)	45.8
Total planned GFA under development (sq.m.)	50,762
Total completed GFA (sq.m.)	38,684

	Residential
Total completed saleable GFA (sq.m.)	88,995
Total saleable GFA sold (sq.m.)	38,684
Percentage of saleable GFA sold (%)	43
Total saleable GFA pre-sold (sq.m.)	22,861
Percentage of saleable GFA pre-sold (%)	45
Total number of units	684

Hebi City

Forest Peninsula (Hebi) (鶴壁森林半島)

Forest Peninsula (Hebi) is located at the intersection of Changjiang Road and Tianshan Road. It occupies a total site area of approximately 69,679 sq.m. It is being developed by CCRE Hebi, our wholly owned subsidiary.

We are developing Forest Peninsula in three phases. Forest Peninsula (Hebi) phase I was under development and phases II and III were held for future development. This project consists of mid-rise apartment buildings, high-rise apartment buildings and ancillary facilities.

Details of this project as of July 31, 2010 are as follows:

Phase I

Planned construction period	February 2010 to September 2011	
Development costs incurred (RMB million)	71.3	
Estimated further development costs to complete the project (RMB million)	80.4	
Total planned GFA under development (sq.m.)	52,623	
	<u>Residential</u>	<u>Retail</u>
Total saleable GFA pre-sold (sq.m.)	11,306	3,045
Percentage of saleable GFA pre-sold (%)	91.6	12
Total number of units	108	128

Phase II

Planned construction period	September 2010 to April 2012	
Development costs incurred (RMB million)	8.5	
Estimated further development costs to complete the project (RMB million)	61.4	
Total planned GFA for future development (sq.m.)	26,975	

Phase III

Planned construction period	September 2011 to April 2013	
Development costs incurred (RMB million)	14.6	
Estimated further development costs to complete the project (RMB million)	89.3	
Total planned GFA for future development (sq.m.)	36,655	

Xuchang City

Kuntai Project (坤泰項目)

The Kuntai Project is located at the intersection of Ziyun Road and Xindong Street in Xuchang City. It occupies a total site area of approximately 81,379 sq.m. It is being developed by Xuchang Jinyue Real Estate Limited, a subsidiary in which we have a 70% interest.

As of July 31, 2010, the Kuntai Project is held for future development. Based on our project plans, the project is expected to consist of mid-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities.

Details of this project as of July 31, 2010 are as follows:

Planned construction period	October 2010 to December 2013	
Development costs incurred (RMB million)	—	
Estimated further development costs to complete the project (RMB million)	605.9	
Total planned GFA for future development (sq.m.)	169,004	

Anyang City

Forest Peninsula (Anyang) (安陽森林半島)

Forest Peninsula (Anyang) is located at the intersection of Shuguang Road and Wenchang Road in Anyang City. The project occupies a total site area of approximately 75,288 sq.m., with land use rights certificates for 48,292 sq.m. of the total site area yet to be obtained. It is being developed by CCRE Anyang, our wholly owned subsidiary.

We are developing Forest Peninsula (Anyang) in three phases. As of July 31, 2010, phase I was under development, although none of the 222 residential or 17 retail units had yet been sold, and phases II and III were held for future development. The project consists of villas, mid-rise apartment buildings, high-rise apartment buildings, retail units and ancillary facilities including car parking spaces.

Details of this project as of July 31, 2010 are as follows:

Phase I

Planned construction period	November 2010 to September 2011
Development costs incurred (RMB million)	33
Estimated further development costs to complete the project (RMB million)	99
Total planned GFA under development (sq.m.)	0
Total planned GFA under development (sq.m.)	47,407
Total completed GFA (sq.m.)	0

Phase II

Planned construction period	December 2010 to July 2012
Estimated further development costs to complete the project (RMB million)	141
Total planned GFA for future development (sq.m.)	45,240

Phase III

Planned construction period	December 2011 to July 2013
Estimated further development costs to complete the project (RMB million)	194.1
Total planned GFA for future development (sq.m.)	68,948

Code One City (Jiyuan) (濟源建業•壹號城邦)

Code One City (Jiyuan) is located at the intersection of Yugong Road and Jiyuan Avenue in Jiyuan City. It occupies a total site area of approximately 160,308 sq.m. It is being developed by CCRE Jiyuan, our wholly owned subsidiary.

We plan to develop Code One City (Jiyuan) in four phases. As of July 31, 2010, phase I was under development and phases II to IV were held for future development. The project will consist of low-rise apartment building, high-rise apartment buildings and retail units.

Details of this project as of July 31, 2010 are as follows:

Phase I

Planned construction period	May 2010 to December 2010
Development costs incurred (RMB million)	36.4
Estimated further development costs to complete the project (RMB million)	36.4
Total planned GFA under development (sq.m.)	25,475

Phases II to VI

Planned construction period	October 2010 to December 2013
Total development costs incurred (RMB million)	114.0
Estimated further development costs to complete the project (RMB million)	1,274.4
Total planned GFA for future development (sq.m.)	454,640

Jianye Sanmenxia Eryinchang Project (三門峽建業•二印廠項目)

Jianye Sanmenxia Eryinchang Project is located at the north of Huanghe Road in Sanmenxia City. It occupies a total site area of approximately 96,187.15 sq.m. As of July 31, 2010, the land use rights certificates for this project had not been obtained. It is being developed by CCRE Sanmenxia, our wholly owned subsidiary.

We plan to develop Jianye Sanmenxia Eryinchang Project in five phases. As of July 31, 2010, all five phases were held for future developed. Based on our project plans, the project is expected to consist of mid-rise apartment buildings, retail units and ancillary facilities.

Details of this project as of July 31, 2010 are as follows:

Phase I

Planned construction period	July 2011 to December 2012
Estimated further development costs to complete the project (RMB million)	166.3
Total planned GFA for future development (sq.m.)	50,000

Phase II

Planned construction period	May 2012 to June 2014
Estimated further development costs to complete the project (RMB million)	228.3
Total planned GFA for future development (sq.m.)	70,000

Phase III

Planned construction period	September 2013 to August 2015
Estimated further development costs to complete the project (RMB million)	233.1
Total planned GFA for future development (sq.m.)	70,000

Phase IV

Planned construction period	April 2016 to February 2017
Estimated further development costs to complete the project (RMB million)	225.0
Total planned GFA for future development (sq.m.)	70,000

Phase V

Planned construction period	November 2014 to February 2017
Estimated further development costs to complete the project (RMB million)	234.8
Total planned GFA for future development (sq.m.)	70,079

Other Project

Xiangsheng Garden (Zhengzhou) (鄭州祥盛小區)

In 2009, we were engaged by the Henan Province Labor Union to manage the development of Zhengzhou Xiangsheng Garden. Zhengzhou Xiangsheng Garden is located at the intersection of Dongfeng East Road and Xiangsheng Street in Zhengzhou City. It occupies a total site area of approximately 13,333 sq.m. It is being developed by CCRE Henan, our wholly owned subsidiary. As of July 31, 2010, Zhengzhou Xiangsheng Garden was under development, with 44,497 total GFA completed. Zhengzhou Xiangsheng Garden commenced construction in June 2009 and is expected to be completed in December 2010. The estimated total development cost of the project (excluding the costs of land acquisition) is approximately RMB136.6 million, with RMB95.6 million already incurred. The project consists of mid-rise apartment buildings and ancillary facilities including parking spaces.

Property Development Process

We summarize below the core elements of our typical project development process for our properties. We adopt a systematic operational approach beginning with planning, design and construction to pre-sale, sale and after-sales services.

<u>Site selection and land acquisition</u>	<u>Certificates, permits and licenses</u>	<u>Financing, project planning and design</u>	<u>Construction work, procurement and quality control</u>	<u>Pre-sale and sales</u>	<u>After-sales services</u>
<ul style="list-style-type: none"> • site identification/ evaluation/ selection • feasibility study • environmental impact assessment • public tender, auction or listing-for-sale and execution of land use rights grant contract or land use rights transfer agreement • payment of land premium/ transfer consideration 	<ul style="list-style-type: none"> • land use rights certificate • construction land planning permit • construction works planning permit • permit for commencement of construction work • pre-sale permit 	<ul style="list-style-type: none"> • financing • in-depth market analysis and project positioning • master plan design, construction design and drawings 	<ul style="list-style-type: none"> • construction contractor selection • construction supervision 	<ul style="list-style-type: none"> • pre-sale permit application • sales and sales management • delivery of properties 	<ul style="list-style-type: none"> • mortgage and registration assistance • handling of complaints • establishment and management of customer database

Site selection

Site selection is a fundamental step in our property development process. Our investment and development center is responsible for identifying and evaluating sites for prospective property development. When selecting sites for our development projects, we usually apply one or more of the following criteria:

- geographical location of the development sites, for example, surrounding environment and amenities, proximity and accessibility to city centers or business districts;
- property market conditions in the vicinity of the development site;
- local urban planning and specifications;
- infrastructure available or to be made available by the local government;
- estimated cost, investment and financial return;
- government's special requirements for the development of the relevant site; and
- applicable zoning regulations and preferential government policies.

Our investment and development center works closely with our sales and marketing center to assess the overall market positioning of a site and the sales potential in the market. Once we plan to acquire a piece of land, we prepare a feasibility report for approval by our strategic and investment committee on behalf of the Board.

Land acquisition

Prior to July 2002, land use rights could be obtained through a land use rights grant contract executed between the property development enterprise and the local government authority. Since July 1, 2002, the Rules Regarding 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土地使用權規定) issued by the MLR require that land use rights for industrial, commercial, tourism or entertainment use or for commodity property development in China be granted by the PRC government through public tender, auction or listing-for-sale. On September 28, 2007, the MLR issued the Regulations on the Grant of State-owned Land Use Rights for Construction through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), effective November 1, 2007, which provide that (i) land for industrial, commercial, tourism or entertainment use or for commodity housing development shall be granted by means of public tender, auction or listing-for-sale; (ii) no land use rights certificates shall be issued before the land premium has been fully paid up in accordance with the land use rights grant contract; and (iii) the land use rights certificates shall not be issued separately according to the proportion of the payment of the land premium. Regulations do not prohibit us from paying the land premium by installments if such arrangement is stipulated under the relevant land use rights grant contract. In March 2010, the MLR issued a circular imposing more stringent requirements on the payment of land premium by property developers. The circular stipulates that at least 50% of land premium should be paid within one month after signing a land grant contract and the balance should be fully paid within one year after signing the land grant contract. The implementation of the regulation requires property developers to maintain a higher level of working capital.

As of July 31, 2010, we had obtained land use rights for 51 property projects with an aggregate completed GFA of approximately 4.6 million sq.m. We obtained the land use rights of seven parcels of land prior to July 1, 2002 through land use rights grant contracts entered into with the Department of Land and Resources of Henan Province. Since July 1, 2002, we have acquired the land use rights of 48 parcels of land through public tender, auction or listing-for-sale, and one parcel of allocated land. Grantees of land use rights pursuant to public tender, auction or listing-for-sale may dispose of the land use rights granted to them in private sales, subject to the terms and conditions of the relevant land use rights grant contracts and the relevant laws and regulations. Therefore, to the extent permitted by law, we may choose to acquire land in the secondary market through negotiated transfers in addition to acquiring land by way of public tender, auction or listing-for-sale processes. We acquired the land use rights of three parcels of land by acquiring companies which already possessed land use rights. When opportunities arise, we will also consider obtaining land use rights from third parties through co-development arrangements to increase our land reserves.

As of July 31, 2010, we had land with a planned aggregate GFA of approximately 1.5 million sq.m. under development and an aggregate planned GFA of approximately 6.4 million sq.m. held for future development for which we had obtained the relevant land use rights certificates. In addition, as of July 31, 2010, we had entered into land use rights grant contracts or land use rights transfer agreements in respect of land for 11 projects with an aggregate planned GFA of approximately 3.4 million sq.m. for which we have applied, or are in the process of applying, for land use rights certificates.

Certificates, permits and licenses

Once we have obtained the rights to develop a parcel of land, we begin applying for the various permits and licenses that we need in order to begin construction and sale of our properties. If the land use right is acquired by way of grant, the land use rights grant contract will be a pre-condition to applications for the following certificates, permits and licenses:

- **land use rights certificate.** The state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights;
- **construction land planning permit.** The construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China;

- **construction works planning permit.** The construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China;
- **construction permit.** The construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; and
- **pre-sale permit.** The commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties.

A property developer is allowed to commence construction of a property development upon obtaining the permit for commencement of construction work which will only be issued after the land use rights certificate, the construction land planning permit and the construction works planning permit (together with the permit for commencement of construction work, collectively known as the “four certificates”) are obtained.

Financing

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We finance the acquisition of land reserves from internal funds, while our property development costs, including construction costs and additional financing for existing projects, are typically financed by internal funds and project loans from PRC banks. In the past, we have also financed some of our property developments using trust arrangements and lease-back arrangements with a put option. Please refer to the sections headed “— Properties Used by Us” and “Financial Information” in this offering memorandum for further information on these arrangements. The following summarizes our main financing methods for our projects:

- **Internal funds from Business Operations.** Our internal funds primarily comprise proceeds from the sale and pre-sale of properties and rental income. We receive pre-sale proceeds when we enter into contracts to sell properties prior to their completion, and those proceeds must be used for the construction of the particular projects which has been pre-sold. Under relevant PRC regulations, we may engage in such pre-selling activities subject to satisfaction of certain requirements. See “— Property Development Process — Pre-sale” in this section. We typically receive an initial payment of at least 5% of the purchase price at the time of the execution of the pre-sale contracts and the balance within 45 days thereafter, by which time the customer is typically required to have obtained a bank mortgage.
- **Funds Raised from Capital Markets.** We completed our IPO in 2008, raising proceeds of HK\$1,259.9 million. Subsequent to our IPO, we issued the 2009 Convertible Bonds with Warrants in August 2009, raising proceeds of RMB671.4 million (US\$99.1 million). We use the proceeds to pay for the acquisition of land.
- **Bank Borrowings.** As of July 31, 2010, our outstanding bank borrowings amounted to approximately RMB1,993.6 million (US\$294.3 million), of which RMB1,926.2 million was secured. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property.

In the future, we expect to fund our projects by using a combination of sources, including internally generated cash flow, borrowings, and funds raised from the debt and equity capital markets from time to time. In particular, as of July 31, 2010, the total contracted capital commitment of our projects amounted to approximately RMB12,835.4 million (US\$1,894.9 million). For details of the capital commitment we have made relating to our projects as of July 31, 2010, please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Capital Commitments.”

We believe we have maintained good business relationships with major commercial banks in China. In 2002, we were recognized as an “AAA Credit Level Customer” by the Henan branch of the Agricultural Bank of China and were recognized as a “Henan Head Office Key Customer” by China Construction Bank Corporation. In

2006, we entered into a strategic cooperation agreement with the Henan branch of Bank of China Limited pursuant to which, among other things, the bank will display promotional materials for our newly launched property projects within their branch network and assist in the marketing of our properties. In turn, we will provide support for the bank's promotion of its housing mortgage services to purchasers of our properties. In 2006, we were also recognized as an "Excellent Credit Customer in the Banking Industry in Henan" (河南省銀行業信用優良客戶) by the Henan Bank Association.

The PRC government has recently implemented a number of measures to prevent the PRC economy from overheating. Among these measures are policy initiatives issued by the PRC Government on May 24, 2006 to use taxation, bank credit and land policies to regulate housing demand. The PBOC has, on a number of occasions, effected increases in the Renminbi reserve requirement ratio of commercial banks since July 2006 as a result of which the Renminbi reserve requirement ratio has increased from 7.5% in July 5, 2006 to a range from 13.5% to 17%, effective May 10, 2010. The Renminbi reserve requirement ratio refers to the amount that banks must set aside when they lend. Such decision of the PBOC will limit the amount commercial banks have available for lending and our ability to obtain financing from commercial banks may be materially and adversely affected.

Project planning and design

Our product research and development department is responsible for the research and development of our property projects, for implementing systematic procedures for our property development and for the standardization of our products. This department provides standardized procedures for the design and construction of our projects with the aim of producing designs that can be copied between the different cities in which we operate. We believe that systematization and standardization of our projects help to control the quality, timing, and most importantly the cost of our projects.

Our product design department is responsible for monitoring the progress and quality of the architectural design and interior design of our property developments. Our product design department also works closely with our construction management department and sales and marketing center and generally considers their recommendations regarding product mix, project locations and market conditions.

We outsource the design work for our projects to third-party design firms and a real estate consultant to help design various aspects of our projects, including master planning, architectural design, landscape design and interior design. In recent years we have engaged local and international design firms to design the master plans for our projects. We have also entered into strategic cooperation agreements with reputable design firms to ensure priority service in the design of the construction plans for our projects.

Construction work, procurement and quality control

We utilize a centralized procurement system to enhance our bargaining power with our suppliers and contractors, thereby reducing our construction and raw material costs. We do not maintain an in-house construction team; instead, our construction work is outsourced to third party construction companies, which are selected through a tender process for each property project. We generally hire more than one contractor for each of our projects. The construction companies are selected by our tender and procurement department which considers, among other things, the reputation of the contractors and the price quoted by the contractors. We conduct detailed due diligence work on the contractors during the bidding process before offering construction contracts to them. We typically examine their track record, industry reputation, qualification certificates, management and quality control systems and other information that are required as part of the bidding process to evaluate the suitability of the contractors who submit a bid for our construction contracts. These contractors typically have had relationships of one to three years with us.

Our standard construction contracts typically provide for an agreed price payable by us based on the reference prices of the relevant materials, equipment and components announced every quarter by the local PRC

government authority. The reference prices may be adjusted at completion of the construction according to the then latest reference prices. We may also need to pay additional amounts to the contractors in excess of the agreed cost in certain circumstances, such as costs resulting from changes in designs during construction. Equipment and construction materials needed for our construction work are generally procured by our contractors except for specified materials, including elevators, windows, doors and water pipes which are centrally procured through our tender and procurement department. These contractors may, at their option, employ sub-contractors to assist in providing the services, but the contractors remain responsible to us for any act or negligence of sub-contractors. The construction contracts contain warranties from the contractors in respect of the quality and timely completion of the construction. In the event of any delay or poor work quality, the contractor may be required to pay pre-agreed damages under the construction contract. We require our contractors to comply with PRC laws and regulations on quality of construction projects, as well as our own standards and specifications stipulated in the construction contracts. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports.

In addition to engaging third-party contractors, we enter into strategic cooperation agreements with selected contractors. These agreements provide that we give preference to the contractors who are party to such agreements, provided that they provide terms and conditions similar to other contractors. We require that contractors meet certain minimum thresholds for performance track record and credit background before adding them to our list of preferred contractors. We currently have reached such agreements with Henan Second Construction and Engineering Company Limited, Zhejiang Zhongtian Construction Group, China Construction Seventh Construction Bureau Limited. We plan to enter into further cooperation agreements with two additional contractors in the future.

Our construction supervision department is responsible for overseeing the quality and progress of the construction work. We also engage independent supervisory companies to conduct quality and safety control checks on all projects. In an effort to ensure the quality of the services rendered by the contractors, our construction contracts generally provide for progressive payments throughout the construction process and we generally retain 5% of the total construction costs for a pre-agreed period of time after the construction is completed to secure any claim we may have due to any potential construction defects. Upon the expiry of the two-year retention period, the balance of the retention amount is paid to the contractor. During the past five years, we have not experienced any circumstances where the retention amount was less than the amount we needed to pay to rectify construction defects. During the past five years, we have not had any disputes with any of our major contractors which, individually or in the aggregate, had or would have a material adverse effect on our business and results of operations.

Under PRC law, construction companies bear primary civil liability for personal injuries, accidents and deaths arising out of their construction work if such personal injuries, accidents and death are caused by the construction companies. The owner of the 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. The owner of the property under construction may also bear civil liability for personal injuries, accidents and death if such injuries are due to the fault of such owner. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe we will generally be able to defend ourselves as the property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred on our project sites during the past five years. We are not responsible for any labor problems of our contractors. As to our risk in relation to environmental, social and safety problems due to non-compliance with PRC laws by the contractors, we may be held responsible for such problems but our construction contracts provide that we may seek indemnification from the contractors for any resulting damages. To help ensure construction safety on our project sites and the compliance with PRC laws and regulations, including environmental, social and safety regulations, we have provided a set of standards and specifications in

our construction contracts for construction workers to comply with during the construction process. We also engage independent supervisory companies to conduct quality and safety control checks on our projects.

For the three years ended December 31, 2007, 2008 and 2009 and the seven months ended July 31, 2010, purchases attributable to our single largest supplier, excluding purchases of land, amounted to approximately 10.4%, 11.2%, 8.7% and 10.8%, respectively, of our total purchases in each period, excluding purchases of land. Purchases attributable to our five largest suppliers amounted to approximately 31.5% of our total purchases in the year ended December 31, 2007, and less than 30% of our total purchases in the years ended December 2008 and 2009 as well as the seven months ended July 31, 2010. As of the date of this offering memorandum, none of our directors, their associates or any of our shareholders holding more than 5% of our issued share capital had any interest in our five largest suppliers.

Pre-sale

We aim to pre-sell properties before the completion of their construction. Under the Administrative Measures on the Pre-sale of Urban Commercial Housing (城市商品房預售管理辦法) (the “Pre-Sale Measures”) and the PRC Urban Real Estate Administration Law (中華人民共和國城市房地產管理法), as amended in 2004 and 2007, respectively, we must comply with the following conditions before the pre-sale of a particular property can commence:

- the land premium must have been fully paid and the relevant land use rights certificates must have been obtained;
- the construction works planning permit and the permit for commencement of construction must have been obtained;
- the funds contributed to the development of the property development where property units are pre-sold must not be less than 25% of the total amount invested in the project and the progress, the expected completion date and the delivery date of the construction work must have been confirmed; and
- pre-sale permits must have been obtained from the county-level construction bureau or real estate administration authority.

In addition, according to the Rules Governing the Administration of Urban Property Development Operations in Henan (河南省城市房地產開發經營管理條例) as amended in 2005, more than half of the construction of the project has to be completed and the progress of construction and delivery date have to be ascertained before we can obtain a pre-sale permit for our projects in Henan.

Pursuant to the Pre-Sale Measures, before the completion of a pre-sold property project, the proceeds from pre-sales must be used only for the construction of the relevant pre-sold property project. The Zhengzhou City Housing Authority has passed a local rule which further requires that pre-sale proceeds for a given pre-sold project be deposited in an escrow account set up for such project. We do not set up specific escrow accounts for each of our pre-sold property projects in Zhengzhou City and therefore are not in full compliance with the local measures. However, no penalties for non-compliance with this rule have been specified by the rule and the Zhengzhou City Housing Authority has confirmed that this rule has not been enforced since its implementation and that no penalties against any entity, including our Company, have been imposed for non-compliance. We believe that there is no material legal risk that a penalty will be imposed on us by any government authority in the PRC as a result of the above-mentioned non-compliance.

See the section entitled “Regulation — Transfer and Sale of Property” for further information on the regulations relating to pre-sales.

In the past, certain of our properties have been sold or pre-sold under lease-back arrangements with put options. This practice was not in full compliance with PRC regulations, and the relevant subsidiaries may be subject to a

maximum penalty of RMB30,000. Please refer to the section headed “— Properties Used by Us” for further details.

Sales and marketing

We handle sales through our own sales and marketing center. Our sales and marketing center is responsible for planning and formulating sales and marketing strategies. It is also responsible for carrying out market research, setting and executing marketing strategy and designing advertisements. We provide our sales and marketing staff training on basic knowledge of real estate, sales and marketing, and laws and regulations in relation to the real estate sector.

We advertise in media such as newspapers and on outdoor advertising boards and also through radio broadcasting. We also set up on-site reception centers at each of our projects to display information relating to the relevant property development. In 2001, we established our Jianye Club with the aim of increasing customer loyalty. The Jianye Club provides services to its club members through various channels such as our call center and internet forum. All of our customers are entitled to enter the Jianye Club for no fee. We distribute a free monthly newsletter, “Jianye Lifestyle,” to our Jianye Club members and carry out regular customer satisfaction surveys. The Jianye Club offers customers certain perks such as substantial discounts with our corporate partners and a special stadium section at Construction Football Club games (see below). The Jianye Club provides a wide array of services to its members, including personal shopping, personal banking and travel planning. Our aim is to provide for all of a club member’s basic needs and to share our wealthy customers with corporate partners in exchange for substantial discounts for club members. The majority of our customers are currently club members.

As a key part of our marketing strategy, we sponsor the only national major league soccer team in Henan — the Construction Football Club, an independent third party, which we believe has enhanced our brand recognition in Henan and elsewhere in China. The Chinese-language name for the Construction Football Club shares our corporate name, “Jianye,” although it is no longer owned or operated by us subsequent to our initial public offering.

For the years ended December 31, 2007, 2008, 2009 and the seven months ended July 31, 2010, the percentage of revenue attributable to our largest customer amounted to approximately 7.7%, 9.2%, 3.4% and 8.8% of our total revenue. The percentage of revenue attributable to our five largest customers was less than 30% of our total revenue for the years ended December 31, 2007, 2008 and 2009 as well as for the seven months ended July 31, 2010. As of the date of this offering memorandum, none of our directors, their associates or any of our shareholders holding more than 5% of our issued share capital had any interest in or was associated with our five largest customers.

Pursuant to a legally binding framework agreement dated May 1, 2008 entered into between CCRE China and Farsighted International Limited (“Farsighted International”), in which CapitaLand holds a 30% interest, we sold the first underground floor and the first four floors of the shopping mall of Landmark (Zhengzhou) with an aggregate planned GFA of approximately 54,164 sq.m., together with 260 car parking spaces to one project company established by Farsighted International in China through one transaction in 2008 for a consideration of RMB296.2 million and another transaction in 2009 for a consideration of RMB94.0 million.

Save as disclosed above, as of July 31, 2010, we had not sold any properties developed by us to institutional investors other than retail users.

Customers’ payment arrangements

Our customers, including those making sold or pre-sale purchases, can pay with mortgage facilities arranged with banks. Currently, approximately 50% of our customers purchase our properties through mortgage facilities. The mortgage payment terms for properties sold or pre-sold are substantially the same. Currently, purchasers who

purchase additional properties subsequent to the purchase of a residential property with a mortgage loan should pay at least 50% of the purchase price as down payment with a loan interest rate of not less than 1.1 times of the benchmark interest rate published by the PBOC. First-time purchasers who purchase a property are required to make a down payment of at least 30% of the purchase price when executing a sale or pre-sale contract. In each case, a mortgage loan with a maximum term of 30 years for the balance of the purchase price may be available to the purchasers. Purchasers are required to pay the balance of the purchase price within one month following the execution of the sale or pre-sale contract when they purchase properties using mortgage financing.

If our purchasers choose not to finance their purchases with mortgage loan facilities, they are required to pay the purchase price in full at the time of the execution of the pre-sale or sale contract.

In accordance with market practice, we make arrangements with various PRC banks to provide mortgage loans to purchasers of our residential properties. For pre-sold properties, we provide guarantees to banks for the repayment of the mortgage loans granted to our customers. These guarantees are released upon completion of construction and either the delivery of the mortgage registration documents to the relevant banks after the issue of the building ownership certificate or the full settlement of the mortgage loans by our customers, whichever occurs earlier. From our experience, the guarantee periods typically last for six to 12 months after delivery of our properties. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of July 31, 2010, the outstanding guarantees in respect of the mortgage loans of our customers amounted to RMB2,592.2 million. In the three years ended December 31, 2007, 2008 and 2009, and the seven months ended July 31, 2010, defaults in relation to the mortgage loans taken out by our customers and secured by our guarantees were not for material amounts, individually or in the aggregate. We were able to recover all of the default payments from the relevant property owners after the event of default since the proceeds from the re-sale of the defaulted properties exceeded the amount for which we were held liable as guarantor for our customers. Please refer to the section headed “Risk Factors — Risks Relating to Our Business — We guarantee mortgage loans to our customers and may become liable to mortgagee banks if our customers default on their mortgage payments” in this offering memorandum.

Delivery of properties

Once a property development has passed the requisite government inspections and is ready for delivery, we notify our customers and hand over keys and possession of the properties. Delivery of a property generally takes place within three to six months (depending on the type of the property) after the completion of the property. Our pre-sale or sale contracts provide the time frame for delivery and we are required to make penalty payments to the purchasers for any delay in delivery. Please refer to the section headed “Risk Factors — Risks Relating to Our Business — We face contractual and legal risks relating to the pre-sale of properties, including the risk that property developments are not completed or delivered on time or at all and risks relating to changes in laws and regulations in relation to the pre-sale of properties” in this offering memorandum.

After-sales services

We assist our customers in arranging for mortgage facilities by providing information on potential mortgagee banks and the mortgage terms they may offer. We also assist our customers in various title registration procedures relating to their properties and attend to the delivery of the properties to our customers.

Our sales and marketing center provides services such as the processing of sales while CCRE Commercial Properties handles rental enquiries. Our customer service center and customer service executive in each city are responsible for handling any complaints we may receive from our customers and arranging for and supervising the repair and maintenance of our developed properties in a timely manner.

Customers can become members of our Jianye Club for no fee. Please refer to “— Property Development Process — Sales and Marketing” in this section. We also have a customer relationship management system which provides a platform for our analysis of customer needs and preferences.

Property Leasing

We lease some of our retail units and car parking spaces. Our tenants are primarily individual retailers and home owners. Our retail units are generally leased for terms of one to three years while our car parking spaces are generally leased for a term of one year. However, for anchor tenants taking comparatively large areas or more than one location, or whose presence is expected to attract other tenants, we may consider offering them leases for terms of up to 20 years. As of July 31, 2010, we had entered into two leases in respect of the underground shopping center in Lakeside Square (Sanmenxia) with lease terms of 20 years.

We are responsible for identifying prospective tenants for our retail units and conducting research to enhance the tenant profile and trade mix for each project, in each case on an on-going basis. We engage Jianye Property Management (a former subsidiary of ours which we disposed of to an independent third party in 2006 in order to focus on our core business) to handle the leasing of car parking spaces in our residential developments.

As of July 31, 2010, we had leased out the entire underground shopping center in our Lakeside Square (Sanmenxia) Project and a clubhouse in our Forest Peninsula (Luoyang) Project. We plan to sell the Lakeside Square (Sanmenxia) Project with the benefit of these leases when a suitable opportunity arises but we plan to continue to hold the clubhouse in the Forest Peninsula (Luoyang) Project for investment purposes. For the years ended December 31, 2007, 2008 and 2009 and the seven months ended July 31, 2010, our revenue generated from rental properties amounted to RMB17.7 million, RMB19.1 million, RMB22.1 million (US\$3.3 million) and RMB12.5 million (US\$1.8 million), respectively. We also intend to lease the office spaces in our Landmark (Zhengzhou) Project once the development is completed.

As of July 31, 2010, the types of units retained by us for rental purposes include retail units, schools and a clubhouse. The total GFA held for rental purposes in respect of retail units and schools as of that date were approximately 56,457 sq.m. and 3,847 sq.m., respectively.

Hotel Development

Beginning in 2007, we began to build our hotel development capabilities in order to provide a stable revenue base to complement our variable development revenue. When we purchase parcels on which we plan to develop a hotel project, the hotel's independent profitability is a precondition to purchase. The future profits from the hotel must be sufficient to cover the interest payments on the project loan we make in connection with the development of a given hotel. As of July 31, 2010 we had three hotel projects under development, two projects slated to begin development in 2010, and one project held for development in 2011.

In September 2007, we signed an operation service agreement ("Services Agreement") with Sheraton Overseas Management Corporation ("SOMC"), a subsidiary of Starwood Hotels & Resorts Worldwide, Inc. (NYSE:HOT) which operates various well-known hotel brand names including Sheraton Hotels and Resorts, Four Points by Sheraton, Le Méridien and Westin Hotels and Resorts. Under the agreement, we will be responsible for developing five hotels. Those hotels will be operated and managed by SOMC. Pursuant to the operation service agreement, the term of operation by SOMC will commence from the formal opening of a given hotel until December 31 of the 25th year after the opening. The term can be renewed by SOMC for an additional five-year period. SOMC will receive a basic operating fee of 2% and 2.25% of the gross operating revenue for the first three years of operation and from the fourth year of operation onwards, respectively. SOMC may also receive an incentive fee ranging from 5% to 8% of the gross operating profit based on the gross operating profit of the given hotel for the year. Between May 2009 and February 2010, we entered into four operation services contracts with Sheraton Overseas Management Corporations and Starwood Asia Pacific Hotels & Resorts Pte Ltd, respectively, which are affiliates of Starwood Hotels & Resorts Worldwide, Inc., in respect of four hotels that we plans to operate in Zhengzhou, Luohe and Kaifeng. The other three hotels in Zhengzhou, Luohe and Kaifeng,

respectively, are under design or early development and are expected to start operation in January 2013. The hotel projects subject to the Services Agreement include the following:

- *Le Meridien Zhengzhou* is a hotel located in Zhengzhou developed under the Landmark (Zhengzhou) Project and is expected to comprise approximately 330 guest rooms with an aggregate planned hotel GFA of approximately 65,436 sq.m. Construction of the hotel commenced in February 2010 and is expected to be completed around March 2012. The estimated total development cost of the hotel project is approximately RMB475.2 million (including the costs of land acquisition and construction costs) and RMB97.4 million had been expended as of July 31, 2010.
- *Aloft Zhengzhou Shangjie* is located in Zhengzhou Shangjie and is designed to comprise approximately 173 guest rooms with an aggregate planned hotel GFA of approximately 19,306 sq.m. Construction of the hotel commenced in May 2010 and is expected to be completed around March 2011. The estimated total development cost of the project is approximately RMB227.6 million (including the costs of land acquisition and construction costs) and RMB34.0 million had been injected into the hotel project as July 31, 2010.
- *Four Points by Sheraton Luohe* is located in Luohe and is expected to comprise approximately 245 guest rooms with an aggregate planned hotel GFA of approximately 40,441 sq.m. Construction of the hotel commenced in May 2010 and is expected to be completed around December 2011. The estimated total development cost of the hotel project is approximately RMB456.4 million (including the costs of land acquisition and construction costs) and RMB43.3 million had been expended as of July 31, 2010.
- *Four Points by Sheraton Kaifeng* is located in Kaifeng and is expected to comprise approximately 315 guest rooms with an aggregate planned hotel GFA of approximately 45,000 sq.m. Construction of the hotel commenced in June 2010 and is expected to be completed around May 2013. The estimated total development cost of the hotel project is approximately RMB483.8 million (including the costs of land acquisition and construction costs) and RMB12.6 million had been expended as of July 31, 2010.

We intend to finance the development of these hotel projects principally by bank loans secured by the pledge of the land on which the projects are built.

We have obtained the land use rights certificates for the relevant parcels of land for the development of the above hotels.

In addition, we have entered into a development consultation service agreement with SOMC under which SOMC will also provide consultation services to us in respect of the planning, design and construction of the hotels subject to the Service Agreement. We have also entered into a system license agreement with Sheraton International Inc., an associated company of SOMC, which grants us a non-exclusive right to use, inter alia, their brand standards and trademarks.

In February 2010, we entered into a management agreement with Holiday Inn (China) Co. Ltd. (假日酒店(中國)有限公司), a member of the InterContinental Hotels Group, in respect of Holiday Inn Nanyang, a hotel of ours that is currently under development. Pursuant to the agreement, Holiday Inn (China) Co. Ltd. will assist us in supervising hotel design and decoration, and will provide management services after the hotel commences operation to ensure that the brand and image of the hotel meet the standards of Holiday Inn. In return, we pay Holiday Inn (China) Co. Ltd. an annual management fee ranging from 5% to 7% of the annual total net profit arising from our operation of the hotel. Meanwhile, we entered into a trademark licensing agreement with an affiliate of Holiday Inn (China) Co. Ltd. pursuant to which we will be entitled to non-exclusive use of certain trademarks such as "Holiday Inn" relating to our operation of Holiday Inn Nanyang in Nanyang, subject to a monthly royalty equivalent to 2% monthly total revenue from our operation of the hotel. This hotel management agreement has a term of 15 years from the hotel opening date and can be renewed for another 10 years within six months before expiry. We expect construction of the hotel to be completed in August 2012.

Property Management Services

We engage a national first grade property management company — Jianye Property Management, a former subsidiary of ours which we disposed of to an independent third party in 2006 in order to focus on our core business — to provide a high standard of property management and services to customers. The property management services provided to purchasers of our property projects include maintenance and security of the common areas, gardening and landscaping, cleaning, fire protection and dealing with customer complaints.

According to a strategic cooperation agreement between CCRE China and Jianye Property Management dated August 25, 2006, we formed a strategic cooperation relationship with Jianye Property Management. Pursuant to the strategic cooperation agreement, CCRE China granted Jianye Property Management a right to use its “建业” (*jian ye*) trade name on a royalty-free basis and agreed to provide priority to Jianye Property Management when selecting a property management company through a tender process to provide property management services to our projects, and Jianye Property Management agreed to set up a department responsible for business with CCRE China and provide quality staff to deliver quality service to our projects. The property management contract requires we pay a service fee on an annual basis.

Under current PRC law, property owners have the right to engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the interest in the total non-communal area of the building. Jianye Property Management has never been dismissed by the owners of any of the projects developed by us.

Quality Control

Different departments are responsible for ensuring the quality of our properties and our services. Our product design department is responsible for monitoring the quality of the architectural design and interior design of our property developments. In addition, as of July 31, 2010, we employed 256 professionals, including architectural and structural designers, construction engineers, electrical engineers and water and heat engineers to carry out quality control and construction supervision for our project companies. In accordance with PRC regulations, we engage qualified supervisory companies selected through a tender process, which work closely with our construction management department to monitor the quality, progress and costs of the construction work of our property developments. Our customer service center is responsible for dealing with complaints which we may receive from customers. Where relevant, customer feedback is provided to our product design department so that we can refine the designs of our future properties to meet our customers’ tastes and requirements.

We provide our customers with warranties covering the structure and certain fittings and facilities of our property developments in accordance with relevant regulations. In the event of any construction defects in our properties, we require the contractors to remedy the issues before settling the remaining balance under the construction contracts.

Awards and Certificates

In 2009, the China Real Estate Top 10 Research Team (中國房地產 Top 10 研究組) (the “Research Team”) ranked us as the overall leading residential property developer in Henan. We were evaluated based on a composite of indices including a scale index, a profitability index, a financial stability index, a social responsibility index, a growth potential index and an operating efficiency index. The Research Team was jointly established in 2003 by the Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國房地產業協會). The Research Team’s research is generally regarded as an important indicator of the market position of property developers in the PRC and is used by major international financial institutions.

Set forth below is a summary of additional key awards and certificates of us and our property developments since 2004:

<u>Date of grant</u>	<u>Awards/Certificates</u>	<u>Awarding organization</u>
March 2010	Top 10 Real Estate Developers by Financial Stability among the 2010 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
March 2010	Thirty-fifth ranking among the 2010 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
2009	Top 10 Real Estate Developers by Financial Stability among the 2009 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
September 2007, 2008, 2009	Top 10 Central and West China Real Estate Company by Brand Value	China Real Estate Top 10 Research Team
April 2009	Thirty-sixth ranking among the 2009 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
December 2008	Famous Trademark of Henan Province	Administration for Industry & Commerce of Henan Province
March 2008	Thirty-ninth ranking among the 2008 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
March 2008	Top 10 Developers in terms of Anti-risk ability among the 2008 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
March 2007	Forty-first ranking among the 2007 China Top 100 Real Estate Enterprises	China Real Estate Top 10 Research Team
February 2007	CCTV Top 10 Best Employers in Henan in 2006	CCTV and Henan Commercial Daily
2006	China's Representative Project in Zhengzhou (Landmark (Zhengzhou))	China Real Estate News and Nanfang Daily
December 2006	Excellent Credit Customer in Henan	Henan Bank Association
October 2006	Henan Construction Project "Zhongzhou Cup" — Henan High Quality Construction Work awards granted to towers six and seven of our Home Universe (Zhengzhou) Project	Construction Department of Henan

<u>Date of grant</u>	<u>Awards/Certificates</u>	<u>Awarding organization</u>
October 2006	Henan Construction Project “Zhongzhou Cup” Silver Award — Consumer Satisfactory Construction Work granted to tower one of our Green Garden (Shangqiu) Project	Construction Department of Henan
November 2005	The Most Respected Property Brand Enterprise in China in 2005	China Leading Media for Real Estate Advertising Alliance
November 2004	Asian Habitation Model Project Award awarded to our Forest Peninsula (Zhengzhou) Project	Asian Real Estate Society, Asian Habitat Society and World Association of Chinese Architects
October 2004	The Fastest Growing Development Enterprise in China in 2004	China Real Estate Magazine, China Real Estate Presidential Management Forum
2004	The China Outstanding Floor Plan awarded to two villas designed in our U-Town (Zhengzhou) Project	National Housing Industry Association and China Real Estate Newspaper Group

Properties Used By Us

As of July 31, 2010, we owned office spaces at Jianye City Garden (Zhengzhou) which we use as our headquarters in Zhengzhou City, with a total GFA of approximately 9,889 sq.m. In addition, we occupied office spaces with a total GFA of approximately 16,589 sq.m., which we temporarily use as sales centers, in the cities in which we operate. We also lease an office space in Hong Kong with a total GFA of approximately 176 sq.m., which we primarily use for administration purposes, from Construction Housing Group Company Limited, formerly known as Construction Development (H.K.) Company Limited, a company indirectly wholly owned by Mr. Wu. Please refer to the section headed “Connected Transactions” in this offering memorandum for details of the lease arrangements.

As of July 31, 2010, we also owned a staff training center with a total GFA of approximately 5,432 sq.m. in Zhongmou County.

In the past, we leased retail units from 155 purchasers of our retail units under lease-back arrangements with a put option. Pursuant to these arrangements we sold or pre-sold the retail units to the purchasers and then leased back the units from them. All of the 155 purchasers are individuals and none of them is a connected person to us. As of July 31, 2010, 24 of the lease-back arrangements with a put option had expired and seven purchasers had waived their rights to put the retail units back to us. Under these arrangements, we agreed to lease back the relevant properties at a specified rent for a specified period of time, typically three years from the date sale agreements are signed, following which the owners retained an option to sell the relevant properties back to us at the same amount as the purchase price they paid for the relevant properties or, in certain cases, at a premium of 10% to the purchase price. The specified annual rent paid by us to the relevant owners ranges from 7% to 8% of the relevant purchase price paid by the owners when they bought the properties from us. The revenue which the relevant owners will receive from us under the lease-back arrangements consists of the rent specified in the contracts and a premium of 10% of the purchase price (if the owner is entitled to the premium and chooses to sell the relevant properties back to us pursuant to the terms of the relevant contract). We believe that such arrangements can facilitate the sales of our retail units while the purchasers could benefit from a guaranteed profit by leasing or selling back the properties to us. The retail units under these lease-back arrangements with a put option comprised an aggregate GFA of approximately 2,536 sq.m. as of July 31, 2010. As of July 31, 2010, we sub-leased 24 retail units with an aggregate GFA of approximately 2,536 sq.m. to tenants for rental income,

representing 100.0% of the total GFA of properties under lease-back arrangements with a put option as of that date, while the remaining leased-back properties were occupied by us or were vacant. The turnover generated from sub-leasing the properties leased back to us was RMB2.2 million, RMB2.1 million, RMB0.9 million and RMB0.5 million for the years ended December 31, 2007, 2008 and 2009 and the seven months ended July 31, 2010, respectively.



The pre-sale of properties under lease-back arrangements was not in full compliance with the PRC regulations, and each of our four project companies adopting these arrangements, namely, CCRE New Town, CCRE China, CCRE Luoyang and CCRE Xuchang, may be subject to a maximum penalty of RMB30,000 according to the Measures for Administration of the Sales of Commodity Properties (商品房銷售管理辦法). Under the PRC Civil Law, there is no material legal risk that the lease-back agreements will be regarded as unenforceable as they do not violate the PRC Contract Law (中華人民共和國合同法) or other mandatory PRC legal or regulatory requirements. Such regulations are not strictly implemented in the PRC, and no material administrative penalty was imposed on us as a result of our violation of relevant PRC regulations during the past seven years. Each of our controlling shareholders has agreed to provide an indemnity in favor of us in respect of any liabilities, damages, fines, penalties, costs, losses or expenses which might be payable by us as a result of the abovementioned non-compliance with relevant PRC regulations. In the past, we sold or pre-sold 155 retail units under lease-back arrangements with a put option starting in October 2003. The majority of our lease-back arrangements with a put option will expire by August 2008 and all the lease-back arrangements with a put option will expire by October 2010. As of the July 31, 2010, 131 of the lease-back arrangements with a put option had expired and 20 purchasers had waived their rights to put the retail units back to us. In light of the above, we believe such non-compliance would not have a material adverse impact on our business and financial condition. As of July 31, 2010, two of the purchasers under these lease-back arrangements with a put option have exercised their put option to sell the properties back to us.

Competition

In recent years, an increasing number of property developers have begun undertaking property development and investment projects in Henan and elsewhere in the PRC. Our major competitors include large national and regional property developers, including local property developers that focus on one or more cities in Henan. We endeavor to further strengthen our leading position in Henan, while we may also make selective entries into other provinces in China. The real estate market in Henan is rapidly evolving, highly fragmented and competitive. Our competitors, however, may have a better track record, greater financial, marketing and land resources, broader name recognition and greater economies of scale than us in particular cities or markets in which we operate.

For more information on competition, please refer to the section headed “Risk Factors — Risks Relating to the Property Sector in the PRC — Intensified competition may materially and adversely affect our business, results of operations and our financial position” in this offering memorandum.

Intellectual Property Rights

We are the registrant of 77 registered trademarks in the PRC and Hong Kong including our “” and “” trademarks and we had applied for the registration of 11 trademarks including “建业” (*jian ye*) in the PRC and Hong Kong under various categories including construction, real estate leasing, real estate management, real estate agency and advertising. We are also the registered owner of the domain names “jianye.com.cn” and “centralchina.com.”

On December 30, 2006, we entered into licensing agreements with the Construction Football Club, Jianye Property Management, Jianye Education and Jianye Entertainment for a period ending December 30, 2011, allowing the licensees to use certain of our trademarks and trade names, including “建业” (“Jianye”), on a royalty-free basis. The terms of the licensing agreements contain terms similar to one another and are limited in scope. They contain various protections of our trademarks and trade names, including licensee

guarantees of quality of the goods or services attached to the trademarks and trade names, as well as prohibition on altering the trademarks and trade names.

Certain of our project names contain “Square,” “Luxurious House,” “SOHO” and “Peninsula.” Please note the following:

- “Square” and “Luxurious House” are not distinctive and cannot be registered as a trademark in the PRC.
- “SOHO” and “Peninsula” are registered by other companies as trademarks in the PRC. However, they have not been used by us as trademarks but only as part of our project names. Therefore, we believe our project names comply with PRC laws and regulations and it is not likely that we will be considered as infringing the intellectual property rights of other companies.

Insurance

We maintain asset insurance policies for our properties and assets. Based on PRC industry practice, we do not insure against potential losses or damage with respect to our properties developed for sale before their delivery to customers. Neither do we maintain insurance coverage against liability from tortuous acts or other personal injuries on our project sites. The construction companies are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations.

To help ensure construction quality and safety, we provide a set of standards and specifications in construction contracts for the construction workers to comply with. We also engage qualified supervisory companies to oversee the construction process. Under PRC law, construction companies bear primary civil liability for personal injuries, accidents and death arising out of their construction work where such personal injuries, accidents or deaths are caused by the construction companies. The owner of the property under construction may also bear supplementary liability if the construction company is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are due to the fault of the owner. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe we will generally be able to defend ourselves as the property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred at our project sites.

Nonetheless, there are risks that we do not have sufficient insurance coverage for some damage and liabilities that may arise from our business operations. Please refer to the section headed “Risk Factors — Risks Relating to our Business — We do not have insurance to cover all potential losses and claims” in this offering memorandum.

Environmental Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments from time to time. These include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to these laws and regulations, each property development is required to undergo environmental assessments. Depending on the impact of the project on the environment, an environmental impact assessment report, an environmental impact analysis table or an environmental impact registration form (each an “environmental impact assessment document”) have to be submitted by a property developer before the relevant authorities will grant a permit for commencement of construction work on the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to

ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

We have obtained environmental approvals from the relevant local authorities with respect to the constructions of Green Garden (Zhumadian), Forest Peninsula (Jiaozuo), Forest Peninsula (Luohe), Code One City (Luohe), Green Garden Nanyang, Taohua Island (Nanyang), phase IV of U-Town (Zhengzhou), Green Garden (Xinxiang), Forest Peninsula (Xinxiang Golden Dragon), phase I of Xiangyang Road, Zhengzhou Xiangsheng Garden, Code One City (Zhengzhou), Forest Peninsula (Xinyang), Jianye Dahong City Garden, Landmark (Zhengzhou), Forest Peninsula (Pingdingshan), Forest Peninsula (Hebi), Xuchang Project, phase I of Forest Peninsula (Zhoukou), and phase V of U-Town (Zhengzhou). In addition, we are in the process of applying for environmental approvals with the relevant local authorities for the constructions of Forest Peninsula (Anyang) and phase II of Forest Peninsula Zhoukou. For all of our other projects we did not do so, as we were not required to submit environmental impact assessment reports after consulting with the local environmental authorities prior to the commencement of construction of these projects. The construction of these projects is not in full compliance with environmental regulations and may be suspended by the environmental authorities. If remedial procedures are not carried out within a limited period, the project companies may be subject to a fine of between RMB50,000 and RMB200,000 and the officers of the property developer and the construction company appointed to carry out the project may be subject to an administrative penalty. The relevant regulation does not stipulate the type or amount of the administrative penalty. Since such environmental laws and regulations have not been strictly implemented in Henan, approvals for project proposals by planning authorities and other follow-up governmental approvals or permits could also be obtained without the approval of the environmental impact assessment documents. Further, as we have already taken remedial actions by submitting supplemental environmental impact assessment documents and obtaining certificates of compliance with the environmental laws issued by the local environmental authorities in 2008, the operation of the relevant subsidiaries should not be materially affected. Save as disclosed above, there has been no material violation of relevant environmental rules and regulations by us, no material environmental pollution incidents involving us, no material administrative penalty imposed on us as a result of violation of environmental rules and regulations and no penalty payable in connection with our failure to submit the environmental impact assessment documents before the commencement of construction of our projects.

Each of our controlling shareholders has agreed to indemnify and keep us indemnified against all liabilities, damages, costs, losses, or expenses which may be imposed or levied by PRC government authorities as a result of our non-compliance with environmental regulations. As of the date of this offering memorandum, save as disclosed above, none of the PRC subsidiaries have breached any applicable PRC environmental laws or regulations in any material respect, and there are no existing material legal proceedings, claims or disputes relating to environmental matters pending or threatened against us.

We will strictly comply with PRC environmental laws and regulations, and further strengthen our management and supervision systems in respect of environmental protection. We will continue to strengthen our control of the construction process. A supervisory system was formulated by a team of officers experienced in pre-construction property development and environmental matters to manage and examine the procedures and activities that may give rise to environmental issues such as noise, water and air pollution, in order to ensure environmental compliance.

Health and Safety Matters

In respect of social responsibility, in particular, labor health, safety, insurance, accidents, relevant laws and regulations mainly include the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law, Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), Regulation on Work-Related Injury Insurance (工傷保險條例), Safety Production Law of the People's Republic of China (中華人民共和國安全生產法), Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (生產安全事故報告和調查處理條例), Administrative Regulations on the Work Safety of Construction

Projects (建設工程安全生產管理條例), the Regulations on the Management of the Housing Provident Fund (住房公積金管理條例) and Regulations on the Management of Housing Provident Fund in Henan (河南省住房公積金管理條例). The aforementioned laws and regulations set forth relevant provisions on working hours, work safety, rest and vacation, wages, health and safety, social insurance and welfare for employees. We have purchased insurance for our employees according to PRC laws and regulations and we are planning to increase insurance coverage for our employees to include commercial accident insurance. We believe that as of the date of this offering memorandum, there has been no material violation of currently applicable PRC labor and safety regulations nor have there been any material employee safety issues involving us. Our human resources department is responsible for dealing with employees' safety and security matters.

Employees

As of July 31, 2010, we had 1,135 full-time employees. The following table sets forth the breakdown of our full-time employees by geographical location as July 31, 2010:

<u>Location</u>	<u>Number of Employees</u>	<u>Percentage of Total Employees (%)</u>
Hong Kong	9	0.8
Zhengzhou	541	47.7
Luoyang	78	6.9
Pingdingshan	21	1.9
Anyang	19	1.7
Hebi	21	1.9
Xinxiang	31	2.7
Jiaozuo	32	2.8
Puyang	25	2.2
Xuchang	17	1.5
Luohe	37	3.3
Sanmenxia	21	1.9
Shangqiu	39	3.4
Zhoukou	29	2.6
Zhumadian	27	2.4
Nanyang	27	2.4
Xinyang	23	2.0
Jiyuan	28	2.5
Kaifeng	110	9.7
Total	1,135	100.0

The following table sets forth the breakdown of our full-time employees by function as of July 31, 2010:

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage of Total Employees (%)</u>
Engineering	208	18.3
Planning and Design	48	4.2
Sales, Service & Marketing	271	23.9
Finance and Costs	216	19.0
Investment and Development	41	3.6
Administrative	131	11.5
Management	107	9.4
Other	113	10.0
Total	1,135	100.0

The remuneration package of our employees includes salary, share-based payment and welfare. In general, we determine employee salaries based on each employee's qualifications, position and seniority. Employees are engaged according to employment contracts. We conduct annual appraisals for our employees, the results of which are applied in annual salary reviews and promotion assessments. Employees are granted an annual bonus according to certain performance conditions and appraisal results. Commission is paid only to sales staff. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and a housing reserve fund. We also participate in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance for all employees in Hong Kong. We benchmark employee remuneration packages against our peers and therefore we believe the salaries and benefits that our employees receive are competitive in comparison with market rates. We review our staff remuneration annually.

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

Staff Training and Development

In executing its corporate strategies and expansion plan, our top priority is to build a team of performers who demonstrate good work ethics and professionalism, and a strong management team of excellent execution and project management capabilities. In keeping with this goal, we established the "Central China School" to bring project operations and management to a higher level and to continually improve staff training and education.

Legal Proceedings

From time to time we are involved in legal disputes arising in the ordinary course of business, primarily including but not limited to disputes with suppliers. We were not, as of July 31, 2010, engaged in any litigation, arbitration or claim of material importance, and we did not know of any litigation, arbitration or claim of material importance pending or threatened by or against us that would have a material adverse effect on our results of operations or financial condition. However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See "Risk Factors — Risks Relating to Our Business — We may be involved in legal and other proceedings arising out of our operations from time to time and may incur substantial losses and face significant liabilities as a result."

OUR RELATIONSHIP WITH CAPITALAND

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. As of July 31, 2010, CapitaLand owned approximately 27.1% of our issued share capital and is currently our second largest shareholder. We expect to continue to benefit from CapitaLand's extensive knowledge and expertise in the real estate industry.

CapitaLand first invested approximately HK\$597.2 million (equivalent to RMB601.1 million at that time) in our Group in December 2006 in exchange for 29.75% ownership of our Group and made a further investment of approximately HK\$517.8 million (equivalent to RMB500.0 million at that time) in August 2007 to increase its ownership stake to 36.14%. From 2008 to 2009, we sold the Landmark mall, with a total GFA of over 50,000 sq.m. to CapitaLand for consideration of approximately RMB390.2 million. Upon the completion of our initial public offering in June 2008, CapitaLand's shareholding in our Company was approximately 27.1%, which it has maintained until the date of this offering memorandum.

CapitaLand regards our Group as a platform to penetrate the residential property market in Henan. We benefit from the extensive industry knowledge and expertise of CapitaLand. It has guided us in developing international best practices in risk and internal controls and helped us to keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is also represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisition. CapitaLand also performs regular internal control audits, contributing to significant enhancement of our corporate governance. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces.

On May 16, 2008, CapitaLand China and CapitaLand Cayman entered into a deed of non-competition undertaking (the "Non-Compete") in favor of us with respect to CapitaLand's activities in China. Pursuant to the Non-Compete, each of CapitaLand China and CapitaLand Cayman has agreed that during the period for which it is legally or beneficially interested in not less than 5% of our shares or has any representation on our board of directors and the 12-month period thereafter, it will not engage in residential property development in Henan, Hubei, Hunan, Shanxi, Anhui or Shaanxi provinces. In the event CapitaLand China identifies or is offered any opportunity to participate in any project in any of the aforementioned provinces falling within the scope of our residential business during the period for which it is legally or beneficially interested in not less than 5% of our shares or has any representation on our board of directors, the Non-Compete grants us an option to negotiate and participate in such project. Each such option expires 30 days from our receiving information about a given opportunity from CapitaLand China.

REGULATION

Establishment of a Property Development Enterprise

According to the Law of the People's Republic of China on the Administration of Urban Property (中華人民共和國城市房地產管理法) (the "Urban Property Law") promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and revised in August 2007 and August 2009, a property development enterprise is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the Regulations on Administration of Development of Urban Property (城市房地產開發經營管理條例) (the "Development Regulations") promulgated by the State Council on July 20, 1998, an enterprise which is to engage in development of property shall satisfy the following requirements: (1) its minimum registered capital shall be RMB1 million; and (2) it shall employ at least four full-time professional property/construction technicians and at least two full-time accounting officers, each of whom shall hold relevant qualification certificates. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the amount of registered capital of, and the qualifications of professionals retained by, property development enterprises.

Pursuant to the Rules Governing the Administration of Urban Property Development Operations in Henan (河南省城市房地產開發經營管理條例) (the "Henan Development Rules") promulgated on June 4, 2002 and amended on January 14, 2005 by the Standing Committee of the People's Congress of Henan, property developers established in Henan should satisfy the following requirements: (i) the registered capital should be RMB2 million or more; (ii) it should have five or more full-time professional property/construction technicians, of whom three or more should have intermediate professional title or above; and (iii) it should have two or more fulltime accounting officers, each of whom should hold the relevant professional qualification certificates. Any property developer who does not conform to the requirements set forth by the Henan Development Rules and was established before the implementation of the Henan Development Rules, is required to meet the aforesaid requirements within one year or will be deregistered by the Administration for Industry and Commerce.

Pursuant to the Development Regulations, a developer who aims to establish a property development enterprise should apply for registration with the Administration for Industry and Commerce. The property development enterprise must also report its establishment to the property development authority in the location of the registration authority, within 30 days upon the receipt of its business license.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on April 26, 2004, the portion of capital funding for property projects (excluding affordable residential housing projects) has been increased from 20% to 35%.

However, on May 25, 2009, the State Council issued the Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) and lowered the minimum capital requirement for projects of affordable residential housing and regular commodity residential houses from 35% to 20% and, for other property projects, to 30%.

Foreign-Invested Property Enterprises

Under the Foreign Investment Industrial Guidance Catalog (外商投資產業指導目錄) jointly promulgated on November 30, 2004 and amended on October 31, 2007 by MOFCOM and the National Development and Reform Commission (the "NDRC"), foreign investment in enterprises engaged in the development of a whole land lot, the construction and operation of high end hotels, villas, premium office buildings, international conference centers and large theme parks, transactions in the real estate secondary market and real estate intermediary or broker services falls within the category of industries in which foreign investment is restricted, while foreign investment related to other kinds of real estate development falls within the category of industry in which foreign investment is permitted.

According to the Interim Provisions on Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法) promulgated by the NDRC in October 2004, the NDRC shall examine and approve foreign investment projects with a total investment of US\$100 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of US\$50 million or more that come within the category of industries in which foreign investment is restricted. Foreign investment projects with a total investment of US\$500 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of US\$100 million or more that come within the category of industries in which foreign investment is restricted are subject to further approval of the State Council based on the examination and approval of the NDRC.

Foreign invested property enterprises can be established in the form of a sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly foreign-owned enterprise. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which a certificate of approval for a foreign-invested enterprise will be issued.

On July 11, 2006, the MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見) (the “Opinion”). According to the Opinion, the access to and management of foreign capital in the property market must comply with the following requirements:

- Foreign entities or individuals who buy property not for their own use in China must apply for the establishment of a foreign-invested enterprise pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign entities and individuals can then carry on their business pursuant to their approved business scope.
- Where the total investment amount of a foreign-invested property development enterprise is US\$10 million or more, its registered capital shall not be less than 50 percent of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital shall follow the requirements of the existing regulations.
- The commerce authorities and the Administration for Industry and Commerce are responsible for the approval and registration of a foreign-invested property development enterprise and the issuance to the enterprise of a temporary certificate of approval for a foreign-invested enterprise (which is only effective for one year) and the business license. Upon full payment of the assignment price under a land grant contract, the foreign-invested property development enterprise should apply for the land use rights certificate in respect of the land. With such land use rights certificate, it can obtain a formal certificate of approval for a foreign-invested enterprise from the commerce authorities and an updated business license.
- Transfers of projects or shares in foreign-invested property development enterprises or acquisitions of domestic property development enterprises by foreign investors should strictly comply with relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (1) a written undertaking of fulfillment of the contract for the assignment of state-owned land use rights; (2) a construction land planning permit and construction works planning permit; (3) land use rights certificate; (4) documents evidencing the filing for modification with the construction authorities; and (5) documents evidencing the payment of tax from the relevant tax authorities.
- When acquiring a domestic property development enterprise by way of share transfer or otherwise, or purchasing shares from Chinese parties in a sino-foreign equity joint venture, foreign investors should make proper arrangements for the employees, assume responsibility for the debts of the enterprise and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, those with unsound financial track records, or those that have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, The General Office of MOFCOM promulgated the Circular on the Thorough Implementation of the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於貫徹落實《關於規範房地產市場外資准入和管理的意見》的通知) (the “Circular”). The Circular not only reiterates relevant provisions on foreign investment in the real estate industry as prescribed in the Opinion, but also sets forth the definition of Real Estate FIE as a foreign invested enterprise (“FIE”) which carries out the construction and operation of a variety of buildings such as ordinary residences, apartments and villas, hotels (including restaurants), resorts, office buildings, convention centers, commercial facilities, and theme parks, or, undertakes the development of land or a whole land lot in respect of the abovementioned projects.

On September 1, 2006, the MOHURD and the SAFE jointly issued the Opinions on Regulating the Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), providing regulations on real estate development enterprises mainly as follows:

- For real estate development enterprises, the current account for foreign exchange shall not maintain property purchase payments remitted by residents of Hong Kong, Macau and Taiwan and overseas Chinese expatriates;
- Where the registered capital relating to a Real Estate FIE remains unpaid in its entirety, or the state-owned land use rights certificate is yet to be obtained, or the capital fund of development project has not reached 35% of the total amount of the project investment, such Real Estate FIE is not permitted to borrow foreign loans from overseas;
- Where foreign entities and individuals purport to merge and acquire domestic real estate enterprises by way of share transfer or any other means, to acquire a Chinese party’s shares within an equity joint venture, such foreign entities and individuals must make a one-time payment for the transfer consideration, otherwise SAFE shall not process any foreign exchange registration relating to the foreign exchange transaction.

On May 23, 2007, MOFCOM and SAFE promulgated the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which stipulates, among others, that:

- Foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;
- Before obtaining approval for the setup of a Real Estate FIE, (a) both the land use rights certificates and building ownership certificates should be obtained or, (b) contracts for obtaining land use rights or building ownership rights should be entered into;
- Entities which have been set up with foreign investment need to obtain approval before expanding their business operations into the real estate sector and entities which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;
- Strict control should be imposed on the acquisition of or investment in domestic real estate enterprises by way of round trip investment. Foreign investors shall not acquire control of domestic enterprises for the purpose of circumventing the approval procedure related to Real Estate FIE;
- In a Real Estate FIE, Chinese parties shall not, explicitly or implicitly provide any warranties with regard to allocating fixed returns to any party;
- A Real Estate FIE incorporated upon approval by local approval bodies should be registered with MOFCOM on a timely basis; and
- Foreign exchange administration bodies and designated foreign exchange banks shall not process sale and settlement of foreign exchange for capital account items for Real Estate FIEs that fail to complete filing procedures with MOFCOM or to pass joint inspection for foreign invested enterprises.

In addition, according to the Circular on Distribution of the List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce, (1) local branches of SAFE shall not process any foreign debt registration application or conversion of foreign debt for any Real Estate FIE (including in respect of both newly incorporated Real Estate FIEs and Real Estate FIEs that have registered increased capital contributions) that obtained a certificate of approval for a foreign-invested enterprise from local commerce authorities and completed the registration with a MOFCOM on or after June 1, 2007; (2) SAFE branches shall not process foreign exchange registration (or alterations to registration) or, sale and settlement of foreign exchange for capital account items, for any Real Estate FIEs that has obtained a certificate of approval from local commerce authorities, but that has not registered with MOFCOM on or after June 1, 2007.

On July 1, 2008, MOFCOM implemented the Circular on the Proper Handling of the Record Filing for Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業審批工作的通知), delegating provincial-level commerce authorities the authority to register matters concerning foreign investment in real property projects after approving the legality, authenticity and accuracy of the project.

In accordance with a circular promulgated by SAFE in August 2008 with respect to the administration of conversion into Renminbi of foreign exchange capital contributions to foreign invested enterprises (關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知), unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contributions can only be applied to activities that come within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

On April 6, 2010, the State Council issued the Opinions on Further Enhancing the Utilization of Foreign Investment (關於進一步做好利用外資工作的若干意見), which provides that, except for the projects required to be approved by relevant departments of the State Council pursuant to the Catalog of Investment Projects Subject to Government Approvals (政府核准的投資項目目錄), a project within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog may be approved by local government authorities, provided that the total investment (including capital increase) for such project is no more than US\$300 million.

On May 4, 2010, the NDRC issued the Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog shall be verified by the NDRC at the provincial level, provided that such projects have a total investment (including capital increase) of no more than US\$300 million. The circular further specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Interim Provisions on Approving Foreign Investment Projects. According to the circular, the power to verify the projects within the restricted category under the Foreign Investment Industrial Guidance Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment (商務部關於下放外商投資審批權限有關問題的通知). Under the circular, the relevant local branches of the MOFCOM are granted the power to examine, approve and administrate the establishment and alterations of (i) foreign invested enterprises which are within the encouraged and permitted categories under the Foreign Investment Industrial Guidance Catalog with a total investment of no more than US\$300 million, and (ii) foreign invested enterprises which are within the restricted category under the Foreign Investment Industrial Guidance Catalog with a total investment of no more than US\$50 million.

Qualifications of a Property Development Enterprise

Classifications for the qualifications of property development enterprises

Under the Development Regulations, a property development enterprise must report its establishment to the governing property development authorities in the location of the registration authority within 30 days after receiving its business license. The property development authorities shall examine applications for classification of a property development enterprise's qualification by considering its assets, professional personnel and industrial achievements. A property development enterprise shall only engage in property development projects that come within the scope of its approved qualification.

Under the Provisions on Administration of Qualifications promulgated by the MOHURD and implemented on March 29, 2000, a property development enterprise shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification shall be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to both preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established property development enterprise, after it reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days. The provisional qualification certificate shall be effective for one year from its issuance and, depending on the actual business situation of the enterprise, may be extended by the property development authority for a period of no longer than two years. A property development enterprise shall apply with the property development authority for qualification classification within one month of expiry of the provisional qualification certificate.

According to the Henan Development Rules, a property development enterprise must register with the municipal property development authority directly under the provincial government within 30 days after receiving its business license. The municipal property development authority must submit to the provincial construction authority for approval within 15 days and the provincial construction authority must issue a provisional qualification certificate to the eligible developer within 15 days. The provisional qualification certificate will be effective for two years from the date of its issuance. For property development enterprises who fail to complete their project within two years, the property development authority may extend the validity to a period of no more than one year.

In accordance with the Implementation Provisions on Administration of Qualification of Real Estate Developers of Henan (河南省房地產開發企業資質管理實施細則) (the "Henan Real Estate Developers Provisions"), promulgated on and effective October 26, 2000, by the Construction Bureau of Henan, the qualification of property development entities is approved according to the hierarchy of approval authorities. The class 1 qualification is preliminarily examined by the provincial construction authority for submission to the Ministry of Construction for approval. The class 2 or lower qualification is preliminarily examined by the local municipal construction authority for submission to the provincial construction authority for approval.

The business scope of a property development enterprise

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not

engage in business which falls outside the approved scope of its qualification classification. A class 1 property development enterprise may undertake a property development projects throughout the country without any limit on the scale of the project. A property development enterprise of class 2 or lower may undertake a project with a GFA of less than 250,000 square meters and the specific scopes of business shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Under the Henan Development Rules, a property development enterprise must, after obtaining its qualification certificate, only engage in the development of the property according to its qualification classification: (a) the construction scale of a property development project undertaken by a property development enterprise with class 1 qualification is not subject to restriction; (b) a property development enterprise with class 2 qualification may undertake any property development project with a GFA of less than 250,000 square meters; (c) a property development enterprise with class 3 qualification may undertake any property development project with a GFA of less than 100,000 square meters; (d) a property development enterprise with class 4 qualification may undertake any property development project with a GFA of less than 30,000 square meters; and (e) a property development enterprise with a provisional qualification certificate may be engaged in a development project relative to the approved standards of the class of qualification so stated in the certificate. With respect to property projects developed in stages, the overall scope of the project must be taken into accounts when calculating the GFA.

The annual inspection of a property development enterprise's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property development enterprise shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property development enterprise's qualification. Procedures for annual qualification inspection for developers with class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Development of a Property Project

Land for property development

Under the Provisional Regulations of the People's Republic of China on the Grant and Transfer of the Land-Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "Provisional Regulations on Grant and Transfer") promulgated by the State Council on May 19, 1990, a system of assignment and transfer of the right to use state-owned land is adopted. A land user shall pay an assignment price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on the Grant and Transfer and the Urban Property Law, the land administration authority under the local government of the relevant city or county shall enter into a land use rights grant contract with the land user to provide for the assignment of land use rights. The land user shall pay the assignment price as provided by the assignment contract. After full payment of the assignment price, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Development Regulations provide that the land use right for a land parcel intended for property development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale promulgated by the MLR on May 9, 2002 and implemented on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall be granted by means of tender, public auction or listing-for-sale. A tender of land use rights means the relevant land administration authority (the "assignor") issues a tender announcement inviting individuals, legal persons or other organizations (whether

specified or otherwise) to participate in a tender for the land use rights of a particular parcel of land. The land user will be determined according to the results of the tenders. An auction for land use rights is where the assignor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. A listing-for-sale is where the assignor issues a listing-for-sale announcement specifying the land grant conditions and inviting bidders to list their payment applications at a specified land exchange within a specified period. The procedures for tender, auction and listing-for-sale may be summarized as follows (for the purpose of the summary, the participant in a tender, auction or listing for sale is referred to as a “bidder”):

- The land authority under the government of the city and county (the “assignor”) shall announce at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars of the land parcel, qualification requirements for bidders, the methods and criteria for selection of the winning bidder and certain conditions such as the deposit for the bid.
- The assignor shall conduct a qualification verification of the bidding applicants and inform the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale.
- After determining the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the assignor and the winning bidder shall then enter into a confirmation. The assignor should refund the other applicants their deposits.
- The assignor and the winning bidder shall enter into a contract for the assignment of state-owned land use rights at a time and venue set out in the confirmation. The deposit for the bid paid by the winning bidder will be deemed as part of the assignment price for the land use rights.
- The winning bidder should apply to register the land registration after paying off the assignment price. The people’s government at the municipality or county level or above should issue the land use rights certificate.

On June 11, 2003, the MLR promulgated the “Regulations on the Grant of State-owned Land Use Rights by Agreement” (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights for business purposes including commercial, tourism, entertainment and residential commodity properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of the Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知) promulgated by the MLR on September 4, 2003, from the day of issuance of the Notice, the assignment of land use rights for luxurious commodity houses shall be stringently controlled, and applications for land use rights for villas are to be stopped. On May 30, 2006, the MLR issued the Urgent Notice on Rigorously Strengthening the Administration of Land (關於當前進一步從嚴土地管理的緊急通知) which provides that land for property development must be granted by competitive bidding, public auction or listing-for-sale; the rules prohibiting development projects for villas should be strictly enforced; and land supply and relevant procedures of land use for villas ceased to have effect from the date of the notice.

Under the Urgent Notice of Rigorously Strengthening the Administration of the Land, the land authority should strictly follow the Model Form of the State-owned Land-Use Rights Grant Contract and Model Form of the State-owned Land Use Rights Grant Supplementary Contract (for Trial Implementation), which were jointly promulgated by the MLR and the SAIC. The documents relating to the assignment of land should specify the requirements for planning, construction and land use such as relevant restrictions on the dwelling size and plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the contract for the assignment of the land.

On September 21, 2007 the MLR promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) which came into force on November 1, 2007. The rules stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the assignment of state-owned land use rights by competitive bidding, public auction or listing for sale. The rules clearly state that the grant of land for industrial use must also be by means of competitive bidding, public auction or listing for sale.

On September 30, 2007, the MLR issued a new notice to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the coemption of land by property development enterprises. Property development enterprises shall develop their land according to the terms of the relevant land use rights grant contract, and any violation thereof may restrict or prevent such property development enterprises from participating in future land bidding. Generally, the development period of each parcel of land must not exceed three years.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), promulgated by the MOF, PBOC and MLR on November 19, 2007, define “reserved land” and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. Moreover, the measures make it clear that land must be reserved in accordance with corresponding land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under utilized.

In November 2009, the MLR issued a Circular on the Distribution of the Catalog for Restricted Land Use Projects (Supplement to the 2006 Version) and the Catalog for Prohibited Land Use Projects (Supplement to the 2006 Version) (關於印發〈限制用地項目目錄(2006年本增補本)〉和〈禁止用地項目目錄(2006年本增補本)〉的通知) as a supplement to its 2006 version. In this Circular, the MLR has restricted the area of land that may be granted by local governments for development of commodity housing to seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

In November 2009, the MOF, MLR, PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grants Development (關於進一步加強土地供應收支管理的通知). The Notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a contract for the assignment of land, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In March 2010, the MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development (關於加強房地產用地供應和監管的有關問題的通知) (the “2010 Notice”) which adopted measures to improve the regulation of land for real estate development. These include measures to: improve the preparation and implementation of land supply plans; guarantee the supply of land for subsidized community housing developments; improve the regime of public tender, auction and listing-for-sale of land use rights; enhance the supervision on the use of land; disclose to the public information on the supply and assignment of land and the status of the construction project on the land; and conduct special inspections on outstanding problems related to land use.

Pursuant to the 2010 Notice, the administrative authorities for land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the relevant administrative authority for land and resources at the commencement and completion of the construction project. The commencement and completion date of construction set forth in the agreements may be postponed by reporting the reasons for the delay to the respective

administrative authority for land and resources no later than 15 days prior to such date. A developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new land grant transactions for a minimum of one year. Additionally, land used for developing subsidized community housing and small-to-medium-size self-use residential commodity housing, as well as for the redevelopment of run-down and substandard housing shall account for not less than 70% of the total land supply for residential property development. The lowest land premium for the assignment of land use rights shall not be lower than 70% of the benchmark price for land of the same grade in the same locality, and the deposit for the participation as a bidder for the land shall not be lower than 20% of the minimum land premium. The contract for the assignment of land shall be executed in writing within ten days after the deal is reached, the down payment of the land assignment price, which shall not be less than 50% of the full land assignment price, shall be paid within one month after the contract for the assignment of land is executed, and the land assignment price shall be paid in full no later than one year after the contract for the assignment of land is executed. A property development enterprise that defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of the contract for the assignment of land shall be banned from participating in any transactions for the assignment of land for a specified period.

In September 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of one parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the floor area ratio for residential land is required to be more than 1. In addition, a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as land idle for more than one year on its own reasons, have been completely rectified.

Resettlement

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas (房屋拆遷管理條例) promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the “resettling party”) should apply for a resettlement permit before commencing resettlement. The resettling party must enter into written agreements with the relevant residents detailing, among other things, the compensation to be provided to the residents, which will be determined on the basis of, among other things, the property’s location, permitted use and gross floor area. For leased housings, the resettlement and compensation agreements shall be reached among the resettling party, the relevant residents and the lessees. If the resettling party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in a people’s court within three months from the ruling if they contest the ruling. The resettling party shall provide monetary compensation or alternative residence for the residents to be resettled according to relevant laws and regulations. There is no need to provide any compensation for the resettlement of illegal housings and temporary constructions, the valid term of which has expired. However, it is necessary to provide proper compensation to demolish those temporary constructions within the valid terms.

Termination of the land use rights

In accordance with the Land Administrative Law of the People’s Republic of China (中華人民共和國土地管理法) promulgated by the Standing Committee of the NPC on June 25, 1986 and amended on August 28, 2004, under any of the following cases, the land administrative authorities may recover the state-owned land use rights with the approval of the people’s governments that originally gives the approvals or the relevant competent people’s governments:

- use land for the sake of public interests (subject to proper compensation);
- use land for adjustment in re-building old city districts in order to implement urban construction plans (subject to proper compensation);

- when the term for the land use rights expires, the land user has failed to apply for extension or failed to get approval for extension;
- the use of land originally allocated has been stopped due to cancellation or removal of units;
- roads, railways, airports and mining sites that have been approved to be abandoned.

Under the Provisional Regulations on Grant and Transfer, the maximum term of the land use rights shall be determined, respectively, in the light of the purposes listed below: (i) 70 years for residential purposes; (ii) 40 years for commercial, tourism and entertainment purposes; (iii) 50 years for education, science, culture, public health, physical education, industrial, comprehensive utilization or other purposes.

Commencement of development with respect to a property project and idle land

Under the Urban Property Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the assignment of land. According to the Measures on Disposing Idle Land (閒置土地處置辦法) promulgated by the MLR on April 28, 1999, a parcel of land can be defined as idle land under any of the following circumstances:

- after obtaining the land use rights, the development and construction of the land has not begun within the time limit for commencement of the development as stipulated in the contract for the assignment of land without the consent of the people's government that originally approved the use of the land;
- the contract for the assignment of land does not stipulate or the approval letter on land used for construction does not prescribe the starting date of the development and construction, or the development and construction of the land has not begun within one year from the date when the contract for the assignment of land became effective or the date when the relevant department of land issued the approval letter on land used for construction;
- the development and construction of the land has begun, but the area of the development and construction is less than one third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction has been continuously suspended for one year or more without approval; or
- other circumstances prescribed by laws and administrative regulations.

The municipality or county-level municipality administrative authority shall, with regard to an identified piece of idle land, give notice to the land user and draft a proposal for the disposal of idle land, including but not limited to, extending the time period for development and construction (provided that it shall be no longer than one year), changing the use of the land, arranging for temporary use and ascertaining the new land user by means of competitive bidding, public auction or listing-for-sale. The administrative department of land under the people's government at the municipality or county level shall, after the people's government that originally approved the use of the land approves the proposal on disposal, arrange for the implementation of the proposal. With respect to assigned land that is within the scope of city planning, if the construction work has not yet started after one year from the granting of the relevant approvals, since the duration in which construction may be commenced has elapsed, a fine for idle land which is equivalent to less than 20% of the assignment price may be imposed on the land user. If the construction work has not begun after two years have elapsed, the right to use the land can be taken back by the State without any compensation. However, the above sanctions shall not apply when the delay in commencement of construction is caused by force majeure or acts of government or indispensable preliminary work before commencement of construction.

On January 3, 2008, the State Council promulgated the Circular on Conservation of Intensive Land Use (關於促進節約集約用地的通知), which seeks to:

- examine and adjust all ranges of site planning and land use standards in line with the principle of economic and intensive land use; project designs, construction and approval of construction shall all be subject to stringent land use standards;

- urge all localities to enforce policies for the disposal of idle land; where a piece of land has been idle for two full years and may be retrieved unconditionally as statutorily required, such land shall be retrieved and arrangements for its use shall be made, and where a piece of land has been idle for one year but less than two years, an idle land charge valued at 20% of the land assignment premium shall be levied on the land user;
- vigorously guide the use of unused and abandoned land and encourage the development and utilization of aboveground and underground space;
- strictly implement the tender, auction and listing-for-sale regime for land intended for industrial and business purposes; where the total land premium is not paid in full in compliance with contractual agreement, the land use certificate shall not be issued, nor shall it be issued in proportion to the ratio between the paid-up land premium and the total land premium;
- make reasonable arrangements on residential land and persist on banning land supply for real estate development projects for villas, and strictly prohibit unauthorized conversion of agricultural land into construction land;
- strengthen supervision and inspection of intensive land use conservation; and
- discourage financial institutions from granting loans and providing finance to property development enterprises whose real estate development project is less than one quarter invested, occupies an area less than one third and/or was commenced over one year after the project commencement date, in each case as stipulated in the contract for the assignment of land.

Planning of a property project

According to the Measures for Control and Administration of the Grant and Transfer of the Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the MOHURD on December 4, 1992 and implemented on January 1, 1993 and the Notice of the Ministry of Construction on Strengthening the Planning Administration of the Grant and Transfer of the Right to Use State-owned Land (建設部關於加強國有土地使用權出讓規劃管理工作的通知) promulgated by the MOHURD on December 26, 2002, after signing the contract for the assignment of land use rights, a property development enterprise shall apply for a project survey and a construction land planning permit from the city planning authority. After obtaining a construction land planning permit, a property development enterprise shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction works planning permit from the city planning authority.

The Urban and Rural Planning Law (城鄉規劃法), promulgated by the Standing Committee of the National People's Congress in October 2007 which became effective in January 2008, provides regulations with respect to the formulation, implementation, modification, control, supervision and related legal liability of measures aimed at curbing problems that may arise as a result of conflicts between city and rural construction developments. The scope of the measures includes the planning, layout and construction of cities, towns with administrative status, market towns and villages. In order to effectively prevent construction that is in breach of rules and regulations, the Urban and Rural Planning Law stipulates that where any construction project is commenced without obtaining a construction land planning permit, or where construction land planning permit has been obtained but construction has proceeded not in accordance with that permit, the Urban and Rural Planning Department at the county level or above may issue an order to cease construction. In the case that the construction can be remedied to conform to the relevant planning rules, an order can be made to rectify the construction in a prescribed period of time and a fine totaling between 5% to 10% of the total construction cost may be imposed. Where the construction cannot conform to relevant planning rules, an order for its demolition will be issued or, where demolition is not possible, the property and/or illegal income derived from the property will be confiscated and a fine totaling 10% or less of the construction cost will be imposed.

In November 2009, the MOHURD and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the

Ministry of Supervision jointly promulgated the Notification on Further Implementation of the Special Project to Address Problems Regarding Unauthorized Changes to the Planning and Adjustment of the Floor Area Ratio (關於深入推進房地產開發領域違規變更規劃調整容積率問題專項治理的通知) which re-emphasized the need to rectify, investigate and punish property development enterprises which undertake any unauthorized adjustment of the floor area ratio.

Construction of a property project

According to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) promulgated by the MOHURD on October 15, 1999 and as amended and implemented on July 4, 2001, after obtaining the construction works planning permit, a property development enterprise shall apply for a construction works commencement permit from the construction authority under the local people's government at the county level or above. The Notice Regarding the Strengthening and Regulation of the Management of New Projects (關於加強和規範新開工項目管理的通知), promulgated by the General Office of the State Council on November 17, 2007, regulates the conditions for commencing investment projects, establishes a mechanism for the coordination of government departments regarding new projects, strengthens the statistics and information management and tightens the supervision and inspection of new projects.

Completion of a property project

According to the Development Regulations and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) promulgated by State Council on January 30, 2000, the Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the MOHURD in April 2000 and amended in October 2009 and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the MOHURD on June 30, 2000, after the completion of construction of a project, the property must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Thereafter, the property development enterprise shall apply for at the property development authority under the people's government at the county level or above for a certificate of completion. Once the examination has been completed, a Record of Acceptance Examination upon Project Completion (項目竣工驗收報告) will be issued.

According to the Notice on Further Strengthening the Quality Supervision and Management of Construction Projects (關於進一步加強建築工程質量監督管理的通知) promulgated by the MOHURD on April 13, 2009, the legal regulatory framework and the supervision system in respect of quality supervision and completion acceptance examination shall be further improved.

Transfer and Sale of Property

Transfer of property

According to the Urban Property Law and the "Provisions on Administration of Transfer of Urban Property" (城市房地產轉讓管理規定) promulgated by the MOHURD on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring the title to a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as

provided by the contract for the assignment of the land and a land use rights certificate has been obtained; (b) development has been carried out according to the contract for the assignment of the land and, in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the contract for the assignment of the land after deducting the time that has been used by the former land user(s). In the event the transferee intends to change the use of the land provided in the original contract for the assignment of the land, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the assignment contract or a new contract for the assignment of the land shall be signed in order to, amongst other matters, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

Sale of commodity buildings

Pursuant to the Regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法) promulgated by the MOHURD on April 4, 2001 and implemented on June 1, 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.

Permit for pre-sale of commodity buildings

According to the Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法) (the “Pre-sale Measures”) promulgated by the MOHURD on November 15, 1994 and as amended on August 15, 2001 and July 20, 2004, the pre-sale of commodity buildings shall be subject to a licensing system, and a property development enterprise intending to sell a commodity building before its completion shall register with the property development authority of the relevant city or county to obtain a pre-sale permit. A commodity building may be sold before completion only if: (a) the assignment price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; (b) a construction works planning permit and construction works commencement permit have been obtained; (c) the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and (d) the pre-sale has been registered and a pre-sale permit has been obtained.

According to the Henan Development Rules, the following conditions shall be fulfilled for the pre-sale of commodity properties in Henan: (a) a property developer’s qualification certificate has been obtained; (b) land premium has been paid in full and state-owned land use rights certificates have been issued; (c) construction works planning permit and permit for construction work have been obtained; (d) more than half of the construction work has been completed in line with the design of image progress and the progress of work and delivery dates have been ascertained; and (e) other conditions as may be stipulated by laws and regulations. A property developer must apply for a permit for pre-sale of commodity properties with the land and housing authority at the municipal or county level by presenting certificates proving that the aforesaid conditions have been fulfilled. The land and housing authority at the municipal or county level must keep track of the construction progress of a property project for which permits for pre-sale of commodity properties have been issued and, if there is any noncompliance with relevant laws and regulations, will order the property developer to redress within a specified time period. Without permits for pre-sale of commodity properties, pre-sale of

commodity properties is prohibited and any fees in relation to pre-sales are prohibited to be collected from buyers.

In addition, according to the Regulation on Urban Real Estate Transactions in Henan (河南省城市房地產交易管理辦法) promulgated by Henan provincial government on November 23, 2001 and effective May 1, 2002, a commodity property purchase agreement shall be negotiated and agreed upon between a buyer and a seller in relation to a commodity property for pre-sale. The property developer shall apply for registration and record with local land and housing registration department within 30 days from the execution of the commodity property purchase agreement. Only after obtaining permits for pre-sale of commodity properties can a property developer release advertisements on pre-sales of commodity properties. The advertisements must specify the serial numbers of the permits for pre-sale of commodity properties and the name of the authorities issuing the permits for pre-sale of commodity properties. The advertisements must be true and accurate. Any information which may be deceptive, misleading or does not conform to the property projects for pre-sale is prohibited in advertisements.

Supervision of pre-sale income of commodity buildings

According to the Pre-sale Measures, the income of a property development enterprise from the pre-sale of commodity buildings must be used for the construction of the relevant project. The specific measures for the supervision of the income from the pre-sale of commodity buildings shall be formulated by the relevant property administration authorities.

Conditions of the sale of post-completion commodity buildings

Under the regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: a) the property development enterprise shall have a business license and a qualification certificate of a property development enterprise; b) the enterprise shall obtain a land use rights certificate or other approval documents for land use; c) the enterprise shall have the construction works planning permit and construction works commencement permit; d) the building shall have been completed, inspected and accepted as qualified; e) the relocation of the original residents shall have been completed; f) the provision of essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; g) the property management plan shall have been completed.

Before the post-completion sale of a commodity building, a property development enterprise shall submit the property development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

Regulations on transactions of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building with the relevant property administration authorities.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) issued on May 9, 2005:

- a buyer of a pre-sold commodity building is prohibited from conducting any further transfer of the commodity building before construction has been completed and a property ownership certificate obtained.

If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the property administration authorities shall not register the application for property ownership; and

- a real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, the MOHURD, the NDRC and SAIC jointly promulgated the Notice on Reorganizing and Regulating Real Estate Transaction Procedures (關於進一步整頓規範房地產交易秩序的通知), the details of which are as follows:

- a property development enterprise may start to sell the commodity buildings within 10 days after receiving a pre-sale permit, and without this permit, the pre-sale of commodity buildings is prohibited, as is the subscription to (including reservation, registration and number selecting) or acceptance of any kind of pre-sale payments;
- the property administration authority should establish a network system for pre-sale contracts of commodity buildings, which should include the location and basic information of the commodity building and the schedule for the sale, and the buyer of a pre-sale commodity building is prohibited from conducting any further transfer of the commodity building while it is still under construction;
- the pre-sale of commodity buildings must not be advertised without a pre-sale permit;
- property development enterprises with a record of serious irregularity or developers who do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in pre-sale activities;
- property administration authorities should strictly carry out the regulations of the pre-sale registration and apply the real name system for house purchases; and
- On April 13, 2010, the MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale System of Commodity Properties (關於進一步加強房地產市場監管完善商品住房預售制度有問題的通知). Pursuant to the notice, without pre-sale approval, pre-sale of commodity properties is not permitted and property developers are not allowed to charge buyers any deposit, pre-payment or payment of similar nature. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

Mortgages of property

Under the Urban Property Law, the Guarantee Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995 and implemented on October 1, 1995, and the Measures on the Administration of Mortgages of Property in Urban Areas China (城市房地產抵押辦法) promulgated by the MOHURD in May 1997 and as amended on August 15, 2001, when a mortgage is lawfully created on a building, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights acquired through means of assignment are being mortgaged, the buildings on the land shall be simultaneously mortgaged. The land use rights of town and village enterprises cannot be mortgaged. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall at the same time also be mortgaged. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage shall register the mortgage with the property administration authorities at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on property in respect of which a house ownership certificate has been obtained, the registration authority shall make an entry under the "third party rights" item on the original house ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or under construction, the registration authority shall record the details on

the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage after the issuance of certificates evidencing the ownership of the property.

Leases of buildings

Under the Urban Property Law and the Measures for Administration of Leases of Property in Urban Areas, the parties to a lease of a building shall enter into a written lease contract. A system has been adopted to register the leases of buildings. When a lease contract is signed, amended or terminated, the parties shall register the details with the property administration authority under the local government of the city or county in which the building is situated.

Financing property development and acquisition

According to the Notice of the People's Bank of China on Regulating House Financing Businesses (中華人民共和國關於規範住房金融業務的通知) promulgated by the PBOC on June 19, 2001, all banks must comply with the following requirements before granting residential development loans, individual house mortgage loans and individual commercial flat loans:

- Banks shall only grant housing development loans to property development enterprises with approved development qualifications and high credit ratings. Such loans shall be offered to residential projects with good market potential. The borrowing enterprise must have self-funded capital of no less than 30% of the total investment required for a project, and the project must have been issued with a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.
- In respect of granting individual mortgage backed home loans, the ratio between the loan amount and actual value of the security (the "mortgage ratio") must not exceed 80%. Where an individual applies for a home loan to buy a pre-sale property, the property must have achieved the stage of "topping-out of the main structure" for multi-story buildings or "two-thirds of the total investment completed" for high-rise buildings.
- In respect of the grant of individual commercial flat loans, the mortgage ratio must not exceed 60% with a maximum loan period of ten years and the relevant commercial flat must have already been completed.

The PBOC issued the Circular on Further Strengthening the Management of Property Loans (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgages and individual commodity buildings as follows:

- Property loans by commercial banks to property development enterprises shall be granted only in respect of a particular item of property development rather than to meet cash flow or other financing demands. Loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.
- Commercial banks shall not grant loans to property development enterprises to pay off land premiums.
- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for an individual home loan for their first residential unit, the minimum first installment remains unchanged at 20%. In respect of a loan application for any additional purchase of a residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the Guidance on Risk Management of Property Loans from Commercial Banks (商業銀行房地產貸款風險管理指引) issued by the CBRC on September 2, 2004, any property development enterprise applying for property development loans shall have at least 35% of the capital required for the development.

According to the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (中國人民銀行關於調整商業銀行住房信貸政策和準備金存款利率的通知) promulgated by the PBOC on March 16, 2005, from March 17, 2005, in cities and areas where there has been a rapid increase in house prices, the minimum first installment for individual house loans increased from 20% to 30%. Commercial banks can independently determine the particular cities or areas under such adjustment according to the specific situation in different cities or areas.

On May 24, 2006, the State Council issued the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格的意見). The regulations relating to property credit are as follows:

- commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, such as having a project capital of less than 35%.
- for property development enterprises that have large volumes of idle land and vacant commodity buildings, the commercial banks shall, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit.
- the commercial banks shall not accept any commodity building that has been idle for three or more years as collateral for loans.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見), foreign-invested property enterprises which have not paid up their registered capital, failed to obtain a land use rights certificate, or which have less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE shall not approve the registration of foreign loans from such enterprises.

On September 27, 2007, the PBOC and the CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知) (the "2007 Notice"). The 2007 Notice puts forward requirements for the purpose of strengthening processes for loan management, including by means of credit checks, monitoring of real estate loans and risk management, in respect of (a) real estate development, (b) land reserves, (c) housing consumption and (d) the purchase of commercial buildings.

Pursuant to the 2007 Notice, commercial banks shall not grant loans in any form, to (a) projects where the capital funds (owner's equity) constitutes less than 35%, or, projects without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit; and (b) property development enterprises that have been hoarding land and housing resources, as detected and verified by land resources departments and construction authorities. Furthermore, commercial banks are not permitted to accept commodity buildings with a vacancy exceeding three years as collateral for a loan, and may not grant property development enterprises any loans for the payment of relevant land assignment premiums.

In respect of loans for individual housing consumption, commercial banks are only permitted to grant housing loans to individuals who purchase commodity buildings the construction of which have reached the "topping out of the main structure" stage. Where an individual purchases his or her first commodity apartment for self residence purpose, (a) of a construction area is below 90 square meters, the minimum down payment shall be fixed at no less than 20%; and (b) if the construction area is above 90 square meters, the minimum down payment shall be fixed at no less than 30%. Where an individual has purchased a commodity apartment by means of such loan and proceeds to purchase a second (or more) home, the minimum down payment shall be no less than 40% and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during same period and in same bracket. Further, the minimum down payment and the interest rate shall both rise with the increase in the number of homes purchased, with the increased percentage rates to be determined by commercial banks, at their own discretion, according to principles of loan risk management. However, the monthly repayments for housing loans shall not exceed 50% of the individual borrower's monthly income.

In respect of commercial building loans, commercial buildings purchased by loan shall be buildings that have satisfied procedural requirements of completion inspection and acceptance. For such purchase, the minimum down payment shall be no less than 50%, the loan term shall not exceed ten years and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during the same period and in same bracket. Where a loan application is in connection with a commercial and residential building, the minimum down payment shall be no less than 45% and the loan term and interest rate shall be arranged according to relevant regulations.

The Supplemental Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的補充通知) (the “Supplemental Notice”), jointly issued by the PBOC and the CBRC and dated December 5, 2007, sets forth supplemental requirements in respect of strengthening housing consumption loan management, mainly including the following:

- assess the number(s) of housing loan with the borrower’s family as the basic calculation unit;
- stipulate conditions under which the housing loan policy for first home buyers shall serve as the referential basis for bank loans; and
- where a family that has already purchased a commodity apartment via housing provident fund makes a housing-loan application to commercial banks, the requirements set forth in the Notice shall be duly satisfied in accordance with the Notice.

As stipulated in the Supplemental Notice, in the event an applicant is found to have presented false information and certifications, all commercial banks shall deem the loan application unacceptable.

Since the second quarter of 2008, the PRC government has implemented a series of policies intended to strengthen and improve the sound development of the real estate market.

On May 26, 2008, the CBRC issued the Notice on Further Strengthening Risk Management in the Provision of Credit to the Real Estate Market (關於進一步加強房地產行業授信風險管理的通知). To combat property development enterprises who (a) “falsify mortgages” by using forged property sale contracts; (b) process “falsified down payments” from borrowers by accepting initial repayments in the pre-sale stage, paying for buyers in advance or by other means; or (c) mislead banks about decisions over the provision of loans by forging their sale performances or house prices as well as other problems arising in the real estate market, the Notice requires each commercial bank to:

- strictly follow the policies and conditions related to the provision of loans to individuals;
- improve the monitoring of the qualifications of borrowers;
- rigorously examine the enterprise credit ratings of property development enterprises; and
- upon discovering that a property development enterprise has engaged in the “falsification of mortgages,” “falsification of down payments,” “forgery of house prices” or other such behavior, terminate the individual housing loans or development loans extended to such developer. Property development enterprises suspected of committing such crimes shall be referred to the judicial organs for further investigation.

On October 22, 2008, the People’s Bank of China issued the Circular on the Expansion of the Downward Adjustment Range for Interest Rates of Commercial Individual Mortgage Loans and Related Issues (中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) which decreased the minimum down payment for residential property purchasers to 20% and reduced the minimum mortgage loan rates for such purchases to 70% of the benchmark interest rate starting from October 27, 2008.

On December 20, 2008, the General Office of the State Council issued Several Opinions on Promoting the Sound Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides the following regarding loans for property businesses:

- The purchase of regular commodity houses for residential purposes is to be encouraged. In addition to extending favorable interest rates and loan policies to first time buyers of apartments for self-residential purposes, individuals with an existing home in which the per person floor area is smaller than the local average may buy a second apartment for self residential purposes under favorable loan terms similar to those that apply to first-time buyers. If individuals purchase a second apartment or more for any other purpose, the interest rate shall be determined according to potential risks by commercial banks and based on the benchmark interest rate.
- The proper financing requirements for property development enterprises should be adhered to. Commercial banks shall increase credit financing services available to ordinary commercial housing construction projects, provide financial support and other related services to property development enterprises engaged in merger and restructuring activities, and support the approval of bond issuances by property development enterprises.

The State Council issued the Notice on Adjusting the Minimum Capital Requirement for Capital Funding for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009, which provides for the reduction of the minimum capital requirement for affordable residential housing projects and regular commodity residential houses from 35% to 20%, and for other property projects to 30%. When providing credit finance support and services, financial institutions shall determine, at their own discretion, whether to grant a loan and the amount of the loan having regard to the minimum capital requirement as determined by the state.

On June 19, 2009, the CBRC issued the Notice on Further Strengthening the Risk Management of Mortgage Loans (關於進一步加強按揭貸款風險管理的通知). With regard to current problems in the real estate market, particularly in the area of mortgage loans such as “falsified mortgages,” “falsified down payments,” “forged house prices” and the relaxed enforcement of criterion for “loans for a second house,” the Notice reiterates the following requirements:

- banking institutions shall strictly carry out pre-lending credit check and tighten the criterion for granting a loan in order to prevent the occurrence of such behavior as “falsified mortgages,” “falsified down payments,” and “forged house prices”;
- banking institutions shall proceed to focus on supporting the purchase by individuals of their first commodity house for self-residence purposes and shall not circumvent relevant restrictions with regard to the provision of loans for a second (or more) house by claiming that a national network for credit information collection is not available or that cross-regional investigations into the purchaser’s background is difficult or onerous; and
- banking institutions are not entitled to decide the criterion for identifying “loans for a second house” or to lower the minimum down payment indirectly by any means.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities, pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 square meters. Further, the notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of the PBOC benchmark lending rate; and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially.

On May 26, 2010, the MOHURD, the PBOC and the CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of

residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account of the total number of residential properties owned by the household of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond.

Insurance of a property project

There are no mandatory provisions in PRC laws, regulations and government rules which require a property development enterprise to take out insurance policies for its property projects. However, PRC commercial banks may require the property development enterprise to purchase insurance if the commercial bank intends to grant a development loan to the property development enterprise.

Environmental protection

Pursuant to the requirements of relevant laws and regulations such as the Appraisal Measures for the Impact on the Environment of the PRC (中華人民共和國環境影響評價法) implemented by the Standing Committee of the National People's Congress in September 2003, and the Regulations Governing Environmental Protection of Construction Projects (建設項目環境保護管理條例) implemented by the State Council in November 1998, property development enterprises and construction enterprises must carry out an appraisal of the impact the construction project will have on the environment. The relevant project shall not commence until approval is obtained from the supervisory body for environmental protection. While the project is in progress, the developer should also comply with the appraisal documents relating to the impact on the environment and implement the environmental protection measures set out in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted may go into operation or be available for use.

Construction safety

Under relevant laws and regulations such as the Laws for Safe Production in the PRC (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress in November 2002, the property development enterprise should apply to the supervisory department on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction works commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State.

Under the Construction Law of the People's Republic of China (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall

responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor.

Major Taxes Applicable to Property Developers

Corporate income tax

According to the Income Tax Law of The People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外商企業所得稅法) which was promulgated by National People's Congress on April 9, 1991 and implemented on July 1, 1991 and its detailed rules promulgated by State Council on June 30, 1991, the income tax on enterprises with foreign investment shall be computed on the taxable income at the rate of 30%, and local income tax shall be computed on the taxable income at the rate of 3%.

Pursuant to the Provisional Regulations of the People's Republic of China on Corporate Income Tax (中華人民共和國企業所得稅暫行條例) issued by the State Council on December 13, 1993 and enforced on January 1, 1994 and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Corporate Income Tax (中華人民共和國企業所得稅暫行條例實施細則) issued by the MOF on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises is 33%.

According to the CIT Law, a unified income tax rate of 25% will be applied towards all enterprises, including foreign-invested enterprises. The Income Tax Law of The People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外商企業所得稅法) and the Provisional Regulations of the People's Republic of China on Corporate Income Tax (中華人民共和國企業所得稅暫行條例) were thereby annulled.

Under the CIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the unified 25% Corporate Income Tax rate as to their global income.

Business tax

Pursuant to the Interim Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例) promulgated by the State Council on December 13, 1993, amended on November 10, 2008, and implemented on January 1, 2009, and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the MOF on December 25, 1993 and amended on December 15, 2008 and implemented on January 1, 2009, the tax rate applicable to the transfer of real properties, their superstructures and attachments is 5%.

In accordance with Notice on the Adjustment of Business Tax for the Transfer of Individual Homes (關於調整個人住房轉讓營業稅政策的通知) promulgated by the MOF and the SAT on December 22, 2009, from January 1, 2010, individuals who purchased their house for self-residential purposes may, five or more years after the purchase, resell their house without paying business tax. Individuals who have owned their self-residential house for less than five years shall pay business tax on the net profit (the difference between the original price and the sales price). Individuals who have purchased their house for any purpose other than self-residential shall, if they have owned it for five years or more, pay business tax on the net profit or, if they have owned it for less than five years, on the full sale price.

Land appreciation tax

According to the requirements of the Provisional Regulations of The People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the "Land Appreciation Tax Provisional Regulations") which were promulgated on December 13, 1993 and came into effect on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) (the "Land Appreciation Tax Detailed Implementation Rules") which were promulgated and came into effect on January 27, 1995, any capital-gain from a transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. Deductible items include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for the development of the land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for the transfer of property; and
- other deductible items as specified by the MOF.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994 (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) issued by the MOF and the SAT on January 27, 1995, land appreciation tax shall be exempted under any of the following circumstances:

- the construction of ordinary standard residences for sale (i.e. the residences built in accordance with the local standards for residential properties, and deluxe apartments, villas, resorts etc. do not come under the category of ordinary standard residences) where the appreciation amount does not exceed 20% of the sum of deductible items;
- property is repossessed according to laws due to the construction requirements of the State;
- due to redeployment of work or improvement of living standard, individuals transfer self used residential property, in which they have been living for 5 years or more, subject to tax authorities' approval;
- transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred; and
- if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and capital was injected for development in accordance with the conditions agreed, the Land Appreciation Tax shall be exempted if the properties are transferred for the first time within 5 years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. The tax-free period may be prolonged subject to the approval of the MOF and the SAT for particular property projects which are approved by the government for the development of the whole lot of land and long-term development and in which the properties are transferred for the first time after the 5-year tax-free period.

On December 24, 1999, the MOF and the SAT issued the Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy (關於土地增值稅優惠政策延期的通知) which extended the period for the land appreciation tax exemption policy mentioned above to the end of 2000.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not require property development enterprises to declare and pay the land appreciation tax. Accordingly, the MOF, the SAT, the MOHURD and the MLR separately and jointly issued several notices to restate the following: after the land grant contracts are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay land appreciation tax in accordance with the amount as calculated by the tax authority. For those who fail to acquire proof of payment or exemption from land appreciation tax from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The SAT also issued the Notice on the Strict Handling of the Administration of the Collection of Land Appreciation Tax (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to: modify the management system of land appreciation tax collection; build up a sound taxpaying declaration system for land appreciation tax; and modify the methods of pre-levying tax for the pre-sale of properties. The Notice also pointed out that for property development contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the policy for exemption from land appreciation tax exemption for properties that are transferred for the first time is no longer in effect and the tax shall be levied again. This requirement is restated in the Notice on Strengthening of Administration of the Collection of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) and the Notice on Further Strengthening the Administration of the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued on August 2, 2004 and August 5, 2004, respectively, by SAT. These two notices also required that system for the declaration of land appreciation tax and the registration of the sources of the land appreciation tax should be further improved.

On March 2, 2006, the MOF and the SAT issued the Notice on Several Points on Land Appreciation Tax (關於土地增值稅若干問題的通知) to clarify relevant issues regarding land appreciation tax as follows:

- Standards for the transfer of ordinary standard residential houses. Where any development project includes ordinary residential houses as well as other commercial houses, the amount of land appreciation shall be verified for both commercial and residential houses, respectively. No adjustment shall be retroactively made to any application for tax exemption for ordinary standard residential houses that were filed with the tax authority at the locality of the property prior to March 2, 2006, especially for ordinary standard residential houses which had been exempted from land appreciation tax as according to standards determined by the people's government of a province, autonomous region or municipality directly under the Central Government.
- Standards for the collection and settlement of land appreciation tax:
 - (i) All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.
 - (ii) As to any tax that fails to be collected in advance within the advance collection term, overdue fines shall be collected as of the day following the expiration of the prescribed advance collection term according to the provisions of relevant tax collection and administration law.
 - (iii) As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to settle its land appreciation tax obligation for the transferred property according to the proportion between the income as generated from the transfer of property and the

amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning.

- (iv) As to any investment that uses land (property) as payment for the purchase of shares, where an enterprise involved in the investment engages in property development or where any other property development enterprise invests in commercial houses it itself builds, it shall not be governed by the regulation of the interim exemption of land appreciation tax when the property (land) is transferred to the enterprise.

On December 28, 2006, the SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) (the “2007 LAT Notice”) which came into effect on February 1, 2007.

Pursuant to the 2007 LAT Notice, a property development enterprise shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (a) the property development project has been completed and fully sold; (b) the property development enterprise transfers the whole uncompleted development project; or (c) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the property development enterprise to settle the LAT if any of the following criteria is met: (a) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the property development enterprise; (b) the project has not been completed sold more than three years after obtaining the sale permit or pre-sale permit; (c) the property development enterprise applies for cancellation of the tax registration without having settled the relevant LAT; or (d) other conditions stipulated by the tax authorities.

The Notice also indicated that if any of the following circumstances applies to a property development enterprise, the tax authorities shall levy and collect LAT as per a levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (a) failure to maintain account books required by law or administrative regulation; (b) destroying account books without authorization or refusing to provide taxation information; (c) the accounts have not been properly maintained or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or the amount of deductible items; (d) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (e) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and the local situation.

On January 30, 2007, the Henan Local Taxation Bureau promulgated the Circular on Forwarding the Notice of the State Administration of Taxation on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於轉發國家稅務總局關於房地產企業土地增值稅清算管理有關問題的通知), which provides that:

- for taxpayers transferring land use rights or mainly transferring land use rights (sales prices for buildings accounting for less than 30%), the LAT will be settled by means of audit collection in principal;
- as to deductible items: (i) for a multi-complex building comprising ordinary standard residential housing as well as other houses (luxury houses, commercial complexes, commercial houses and office buildings), the appreciation amount and deductible items will be verified, respectively, according to applicable laws. If the separation of the residential and commercial parts of the multi-complex building is unclear and/or undefined, the residential part of a multi-complex building would not be eligible for the exemption available for ordinary standard residential housing; (ii) where the vouchers or materials relating to (a) the project

expenditures at the early stages of the project, (b) construction and fitting expenditures, (c) infrastructure expenditures, and (d) indirect expenditures are non-compliant with the requirements for LAT settlement or untrue, the LAT will be levied by means of verification collection;

- the LAT rate for verification collection: 1.5% for ordinary standard residential housing; 5% for land use rights; 3.5% for other property projects (other than ordinary standard residential housing and land use rights). Transaction incomes of transferring ordinary standard residential housing, luxury houses, commercial complexes, commercial houses and office buildings shall be verified, respectively. If the aforesaid separation calculation would be unfeasible the highest rate shall apply;
- for a property developer who has adopted verification collection means, the verification rate shall be adjusted in accordance with the circular from February 1, 2007, and with respect to the land use rights transaction, the LAT shall be levied by means of audit collection. For a property developer who has adopted audit collection means, the LAT shall be settled according to the circular. From February 1, 2007, the LAT shall be settled or verified on project basis either by means of verification collection or audit collection for property developers; and
- from the implementation of the circular, the adjustment of the LAT collection methods shall be approved by the municipal tax authority directly under the provincial government.

On May 12, 2009, the SAT issued the Administrative Rules for the Settlement of Land Appreciation Tax (土地增值稅清算管理規程) (the “Settlement Rules”), which became effective on June 1, 2009. The Settlement Rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of the settlement of LAT to be carried out by relevant tax authorities.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) and temporarily exempted the LAT for individuals selling houses starting from November 1, 2008.

On May 19, 2010, the SAT issued the Circular on Issuers Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to calculation and settlement of the land appreciation tax, such as (i) the recognition of the revenue upon the settlement of LAT, and (ii) the deduction of fees incurred in connection with the property development.

On May 25, 2010, the SAT issued the Notice on Strengthening the Collection Land Appreciation Tax, which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

Deed tax

Pursuant to the Interim Regulations of the People’s Republic of China on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine their effective tax rates. Pursuant to the Implementation Provisions on Deed Tax in Henan (河南省契稅實施辦法) promulgated by the People’s Government of Henan on October 21, 1999, the rate of deed tax within Henan is 4%.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) which announced that the deed tax for individuals buying their first regular commodity house with a floor area of less than 90 square meters shall be temporarily reduced to a unified rate of 1% starting from November 1, 2008.

Urban land use tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988, implemented on November 1, 1988 and amended on December 31, 2006, land use tax in respect of urban land is levied according to the area of relevant land. As of January 1, 2007, the annual tax on every square meter of urban land collected from foreign-invested enterprises shall be between RMB0.6 and RMB30.0.

Buildings tax

Under the Interim Regulations of the People's Republic of China on Building Tax (中華人民共和國房地產稅暫行條例) promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, building tax shall be levied at 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental payments for lease of the building.

According to the Circular Concerning the Levy of Building Tax on Foreign Enterprises and Foreigners (關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the MOF on January 12, 2009, and the Circular Concerning the Implementation of the Levy of Building Tax on Foreign-Invested Enterprise and Foreign Individuals (關於做好外資企業及外籍個人房產稅徵管工作的通知) issued by the SAT on January 6, 2009, from January 1, 2009, domestic and foreign-invested enterprises and foreign individuals will all be subject to the Interim Regulations of the People's Republic of China on Building Tax.

Stamp duty

Under the Interim Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) and temporarily exempted stamp duty for individuals selling or buying houses starting from November 1, 2008.

Municipal maintenance tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the SAT on February 25, 1994, the municipal maintenance tax shall not be applicable to foreign invested enterprises with foreign investment until further notice is issued by the State Council.

Education surcharge

Under the Interim Provisions on the Imposition of the Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知). Under the Supplementary Notice Concerning Imposition of Education Surcharge (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the SAT on February 25, 1994, the education surcharge shall not be applicable to enterprises with foreign investment until further notice is issued by the State Council.

Measures on Stabilizing Housing Price

The General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Stabilizing the Prices of Residential Properties (關於做好穩定住房價格工作的意見), which provides that:

(a) Intensifying planning and control and improving the housing supply structure

Where there is excessive growth in housing prices and insufficient supply of medium to low priced commodity houses and affordable residential housing, housing construction should mainly involve projects for the development of medium to low priced commodity houses and affordable residential houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to projects for the construction of medium-or-low-price commodity houses, prior to the assignment of land, the municipal planning authority shall, according to control planning, set forth conditions for the plan and design of such elements as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth requirements such as sale price, type and area. Such conditions and requirements will be set up as preconditions to the assignment of land to ensure an adequate supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not been commenced within two years must be re-examined, and those that turn out to be noncompliant will have their planning permits revoked.

(b) Intensifying control over the supply of land and rigorously enforcing the administration of land

Where there is rapid excessive growth in the price of land for residential use, the proportion of land for residential use to the total land supply should be raised, and the land supply for the construction of regular commodity housing at medium or low prices and affordable residential housing should be increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted.

On May 24, 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

(a) Adjustment to the housing supply structure

- The construction of medium and small-sized regular commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents.

- From June 1, 2006, for each and every commodity building newly examined and approved for the commencement of construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 square meters must reach 70% of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial capital cities must submit the special request for adjusting proportion to the MOHURD for approval. The projects that have been examined and approved but have not received a construction works commencement permit shall where necessary adjust the set style of housing according to the above-mentioned requirements.
- (b) Adjustment to tax, credit and land policies
- Commencing June 1, 2006, business tax applicable to the transfer of a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price;
 - In order to restrain property development enterprises from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35% of capital required for the project development. Commercial banks should restrict the grant or extension of revolving credit facilities in any form to property development enterprises with a large amount of idle land and/or vacant commodity buildings. Commodity buildings which are vacant for more than 3 years should not be accepted as a guarantee by the commercial banks;
 - From June 1, 2006, the first installment of individual house loans should be no less than 30%. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90 square meters, the first installment remains at 20%;
 - At least 70% of the land supply for residential property developments must be used for low-to-medium-cost and small to medium-size units and low-cost rental properties. On the basis of the restriction of price and housing style, the land supply shall adopt the method of competitive bidding of land price and housing price to determine the property development enterprise. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly prohibited;
 - When construction has not yet started one year after the construction commencement date agreed in the land use rights assignment contract has elapsed, charges for idle land should be collected at a higher level; when the construction has not started two years after the construction commencement date agreed in the land use rights assignment contract have elapsed, the right to use land can be taken back without compensation. The land will be regarded as idle land if: the development and construction of the land has started on time, but the developed area is less than one third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction has been continuously suspended for no less than one year without approval.
- (c) Further rectifying and regulating the property market
- Any project with a construction land planning permit which has not started construction should be re-evaluated. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction works planning permit, the construction works commencement permit and the pre-sale permit should not be issued. Projects which have been altered or the construction of which have exceeded the provisions shall be disposed of or confiscated according to law.
 - The property administration authority and the administration of industry and commerce should investigate any illegal conduct such as contract fraud. Illegal conduct involving commodity building pre-completion sales without the necessary conditions should be ordered to stop and punished. With respect to the property enterprises that store up housing and maliciously manipulate and raise housing prices, the competent

authorities shall enforce monetary punishment according to laws and regulations, and the responsible persons concerned may have their business licenses revoked and/or shall be investigated and prosecuted.

To implement the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, the MOHURD promulgated Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- From June 1, 2006, in any city (including counties), housing with a floor area of less than 90 square meters should reach 70% of the total floor area of commercial commodity buildings newly approved or constructed.
- The governments should guarantee the conditions of planning and design of newly-built commodity buildings meet the requirements of structure and proportion. Any digression from the above-mentioned requirements without authorization is forbidden and a construction works planning permit should not be issued by municipal planning and authorities. If there is any noncompliance with the planning permit, a construction works commencement permit should not issued by the construction authority and a permit for pre-sale of commodity buildings should not be issued by property development authority.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development (國務院辦公廳關於當前金融促進經濟發展的若干意見), issued by General Office of the State Council on December 8, 2008, the State Council (a) implemented and promulgated relevant credit policies and measures to support people's purchase of their first ordinary home or improved ordinary home; (b) provided more credit support for the construction of low rent houses and affordable residential houses and the reconstruction of shed areas for low-income urban residents; and (c) initiated the pilot operation of real estate trust investment funds to diversify the financing channels of real estate enterprises.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of the Property Market (關於促進房地產市場平穩健康發展的通知), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide reasonable guidance for the purchase of property, restrain speculative investment in property, and strengthen risk prevention and market supervision. Additionally, the Circular explicitly requires a family (including a borrower, his or her spouse and children under 18) who have already entered into a mortgage for the purchase of a house to pay a minimum down payment of 40% of the purchase price of a second or any additional house which they apply to purchase.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities, pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, the notice stipulates that interest rates for mortgage loans for the second property cannot be lower than 110% of the PBOC benchmark lending rate and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond. On September 29, 2010, the Ministry of Finance, SAT and MOHURD jointly issued the Notice to Adjust the Preferential Policies on Deed Tax and Individual Income Tax Regarding Real Estate Transaction (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), according to which, as of October 1, 2010, the deed tax for individuals who purchased ordinary residential property with floor area under 90 sq.m. as his sole family residence, will be reduced to 1 percent, and those who sell their homes and buy new ones within one year would not be eligible for reductions or exemptions on individual income tax on the profits from the sales.

MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this offering memorandum.

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Wu Po Sum	60	Chairman and Executive Director
Wang Tianye	52	Chief Executive Officer and Executive Director
Yan Yingchun	50	Executive Director
Lim Ming Yan	47	Vice-Chairman and Non-executive Director
Leow Juan Thong Jason	43	Non-executive Director
Lucas Ignatius Loh Jen Yuh	43	Alternate Non-executive director
Wallis Wu	28	Non-executive Director
Hu Yongmin	40	Non-executive Director
Cheung Shek Lun	49	Independent Non-executive Director
Wang Shi	59	Independent Non-executive Director
Xin Luo Lin	61	Independent Non-executive Director
Tang Man Joe	37	Financial Controller and Company Secretary

Directors

Executive Directors

Wu Po Sum (胡葆森) (formerly known as Hua Jianming 滑建明), age 60, is the founder, chairman and an executive Director of our Company, and he is also a director of a number of subsidiaries of our Company. Mr. Wu is responsible for the formulation of development strategies and making decisions on investment projects and development directions of our Group. Mr. Wu graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School in 2005. Mr. Wu has over 16 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited (“CCIET”). From 1986 to 1988, he worked as the president and the general manager in Guoguang Industrial Company Limited, a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited and Central China Overseas Development Company Limited, respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for our Group and established the “建业” (jian ye) brand name. Mr. Wu devotes himself not only to the development of our business, but also to public services and promoting the PRC real estate industry. In 2003, he was elected as a member of the CPPCC and as one of the “Top Ten Outstanding Charitarians in Henan.” In 2005, he was recognized as the “Most Influential Person in the China Real Estate Industry for the Last 15 Years” and one of the “Most Respectable Entrepreneurs in Henan.” In 2006, he was selected as one of the “2006 Representative Figures of Zhengzhou City.” Currently, Mr. Wu is the vice-president of the Federation of Industry and Commerce of Henan and a part-time professor of business administration in Zhengzhou University. Mr. Wu is the father of Ms. Wallis Wu, a non-executive Director of our Company.

Wang Tianye (王天也), age 52, is the chief executive officer and an executive Director of our Company, and he is also a director of a number of subsidiaries of our Company. Mr. Wang is responsible for the formulation of development strategies and the overall business management of our Group. Mr. Wang obtained a Diploma in International Finance from People’s University of China in 1985 and a Master of Applied Finance degree from Macquarie University in Australia in 1996, and completed the Global CEO Program for China in China Europe International Business School in June 2007. Mr. Wang joined our Group in November 2004, and has served as a

director and the general manager of Construction Housing Group Company Limited (the former holding company of the Group). Mr. Wang has over 20 years of experience in finance and investment and around 10 years of experience in the real estate industry. He worked as a deputy general manager in Bank of China Sydney Branch from 1993 to 1996, and was a senior associate in the Australian Institute of Banking and Finance. Mr. Wang held an office in Bank of China from 1980 to 1996. From 1998 to 2004, he was the general manager of an investment company established by Guangdong Development Bank in Hong Kong. Mr. Wang was an independent non-executive director in three companies listed on the Hong Kong Stock Exchange: National Investments Fund Limited (stock code: 1227, September 2002 to July 2004), Temujin International Investments Limited (stock code: 204, September 2003 to January 2007) and S&D International Development Group Limited (stock code: 8148, November 2003 to March 2007).

Yan Yingchun (閻穎春), age 50, is the head of the Board's office and an executive Director of our Company. She is also a director of a number of subsidiaries of our Company. Ms. Yan is responsible for the day-to-day operation of the Board and internal audit of our Group. Ms. Yan obtained a Diploma of Accounting from Zhongnan Financial and Economic University in 1986 and qualified as a senior accountant in the PRC in 2000. She has over 20 years of experience in financial management. Before joining our Group in February 1992, Ms. Yan worked in the Financial Section of Zhengzhou Hardware and Electric Appliance Company Limited as the deputy manager from 1985 to 1988. From 1988 to 1991, she served as the deputy general manager of the Finance Department of Central China Overseas Development Company Limited. Ms. Yan has served in the posts of finance manager, human resources manager, assistant to general manager, accountant in chief, vice-president and chief financial officer of CCRE China since joining the Group.

Non-executive Directors

Lim Ming Yan (林明彥), age 47, is the vice-chairman of the Board and a non-executive Director of our Company, and is also a director of a number of subsidiaries of the Company. Mr. Lim obtained a Bachelor of Science degree in Mechanical Engineering and Economics from the University of Birmingham, UK, in 1985 and attended the Advanced Management Program at Harvard Business School in 2002. Mr. Lim has over 11 years of experience in real estate development and investment and is currently the chief executive officer of The Ascott Limited, a wholly-owned business unit of CapitaLand focusing on serviced residence development. He is also the deputy chairman of the CapitaLand China Executive Committee, which co-ordinates and aligns CapitaLand's investments, operations, branding and resources in China. Prior to this, Mr. Lim was the chief executive officer of CapitaLand China Holdings Pte Ltd ("CapitaLand China"), responsible for developing CapitaLand into a leading foreign real estate developer in China. For his contribution to the city of Shanghai, Mr. Lim was twice conferred the "Magnolia Award" by the Shanghai Municipal Government in 2003 and 2005. He has been the deputy chairman of Beijing Association of Enterprises with Foreign Investments since September 2005. Mr. Lim was presented the "Outstanding Chief Executive (Overseas) of the Year 2006" by Singapore Business Awards. Mr. Lim has been a non-executive director in Lai Fung Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange, since June 21, 2006. Mr. Lim was appointed as a non-executive Director of our Company in November 2007. Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim's alternate director on March 22, 2010.

Leow Juan Thong Jason (廖葦桐), age 43, is a non-executive Director of our Company, and is also a director of a number of subsidiaries of our Company. Mr. Leow is currently the chief executive officer of CapitaLand China. Mr. Leow became a Certified Public Accountant in Singapore in 1994. Mr. Leow obtained an Executive Master degree in Business Administration from Fudan University and also attended the Advanced Management Program at Harvard Business School in 2007. Mr. Leow has over 15 years of experience in real estate investment. Prior to joining CapitaLand in 2001, Mr. Leow worked as a financial analyst at ST Aerospace Ltd, as well as at DBS Finance Ltd from 1988 to 1992. He worked at The Ascott Group from 1994 to September 2001, participating in property investment and development in the mainland of China. Mr. Leow was appointed as a non-executive Director in November 2007.

Lucas Ignatius Loh Jen Yuh (羅臻毓), age 43, is an alternate non-executive Director of our Company, and is also the Chief Investment Officer and the Regional General Manager (South China) of CapitaLand (China) Investment Co., Ltd. (“CapitaLand Investment”), a wholly-owned subsidiary of CapitaLand China which in turn is an indirect wholly-owned subsidiary of CapitaLand (“CapitaLand,” together with its subsidiaries, the “CapitaLand Group”). Mr. Loh oversees CapitaLand China’s investment and asset management activities in China and concurrently its South China business and operation management. He has more than 10 years’ experience in China’s real estate market. Mr. Loh joined the CapitaLand Group in 2001. Prior to his current appointment in July 2007 with CapitaLand Investment, Mr. Loh was the Managing Director of The Ascott Group Limited (now known as The Ascott Limited) in China. The Ascott Limited is a wholly-owned subsidiary of CapitaLand. Prior to joining the CapitaLand Group, Mr. Loh was an Associate Director for Private Equity Investment at Temasek Holdings (Private) Limited covering the North Asia Region. Mr. Loh began his career in 1991 as a real estate appraiser in Singapore. He obtained a Bachelor of Science (Estate Management) Degree from National University of Singapore in 1991 and a Master’s Degree in Business Administration from Oklahoma City University in 1999.

Wallis Wu (李樺), alias Li Hua, age 28, is a non-executive Director of our Company, and she is also a director of a number of subsidiaries of our Company. Ms. Wu obtained a Bachelor of Architecture degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd. in Sydney Australia in 2005. Ms. Wu was appointed as a non-executive Director in November 2007. Ms. Wu is the daughter of Mr. Wu Po Sum, the chairman of the Board.

Hu Yongmin (胡勇敏), age 40, is a non-executive Director of our Company. Mr. Hu graduated from Fudan University. He is a co-founder of FountainVest. Prior to founding FountainVest, Mr. Hu was a managing director at Temasek Holdings. Mr. Hu was also a member of Temasek’s global investment committee, and head of its real estate investment. Mr. Hu also worked as a director and the head of China Telecom, Media and Technology Investment Banking for Credit Suisse and Shanghai Chief Representative for Bear Stearns. From November 2005 to November 2006, Mr. Hu was the non-executive director of Hopson Development Holdings Limited (stock code: 754), a company listed on the Hong Kong Stock Exchange. Mr. Hu is the independent director of Home Inns & Hotels Management Inc., a company listed on NASDAQ.

Independent Non-executive Directors

Cheung Shek Lun (張石麟), age 49, is an independent non-executive Director of our Company. Mr. Cheung obtained a bachelor degree in Business Administration from the Chinese University of Hong Kong in 1986, a bachelor degree in Business from the University College of Southern Queensland in 1990, and a bachelor degree in Law from the University of Wolverhampton in 2002. He worked as an assistant assessor at the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant at Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president of accounting and other positions at Fortune (Shanghai) Limited from May 1990 to September 2006. He was a senior executive of T.C.C. International Limited from October 2006 to October 2007 and vice-chairman of InsiteAsset Management Group Ltd. since September 2008. Currently he is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Chartered Institute of Secretaries and Administrators UK and a member of the Hong Kong Institute of Company Secretaries. Mr. Cheung was appointed as an independent non-executive Director in January 2008.

Wang Shi (王石), age 59, is an independent non-executive Director of our Company. He held the office of general manager of China Vanke Co. Ltd from 1988 to 1999, and has been the chairman of China Vanke Co. Ltd since 1988. Mr. Wang obtained a bachelor degree in Water Supply Studies from Lanzhou Transportation University in 1977. Mr. Wang has almost 20 years of experience in real estate development. He worked in the

Guangzhou Railway Bureau from 1978 to 1980, Guangdong Provincial Committee from 1981 to 1983 and Shenzhen Special Region Development Company from 1983 to 1984. Mr. Wang founded Shenzhen Exhibition Centre of Modern Science and Education Equipment, the predecessor of China Vanke Co. Ltd in 1984 and acted as the general manager. Mr. Wang was appointed as an independent non-executive director of Sohu.com Inc., a company listed on the NASDAQ since May 2005 and has also served as an independent non-executive director of China Restheces Land Limited, a company listed on the Hong Kong Stock Exchange, since April 1997. Mr. Wang was appointed as an independent non-executive Director in January 2008.

Xin Luo Lin (辛羅林), age 61, is an independent non-executive Director of our Company. Mr. Xin is a postgraduate from the Beijing University in the PRC. Mr. Xin was a visiting scholar at the Waseda University, Japan between 1980 and 1983, and an honorary research associate at the University of British Columbia, Canada during 1983 and 1984 and a visiting fellow at the Australia National University, Australia in 1985. Mr. Xin is an independent investor with over 20 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a Senior Advisor to Potter Warburg, Australia from 1985 to 1989 and to Citic-Hambros, Australia, from 1995 to 1997. Mr. Xin is a Justice of Peace in New South Wales of Australia. Mr. Xin is currently an independent non-executive director of Enerchina Holdings Limited (stock code: 622), a company listed on the Hong Kong Stock Exchange. Mr. Xin is also an independent non-executive director of Sinolink Worldwide Holdings Limited (stock code: 1168), a company listed on the Hong Kong Stock Exchange. In addition, Mr. Xin serves as a director at Mori Denki Mfg. Co., Ltd., a company listed on the Tokyo Stock Exchange and as a director and vice chairman at Oriental Technologies Investment Limited, a company listed on the Australian Stock Exchange.

Senior Management

Tang Man Joe (鄧文祖), age 37, is the financial controller, qualified accountant and company secretary of our Company. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. Mr. Tang obtained a bachelor degree in Business Administration from the University of Wisconsin-Madison. Mr. Tang has over 10 years of experience in finance and accounting. Prior to joining our Group in June 2007, he worked at Deloitte Touche Tohmatsu from August 1997 to July 2002 and at South China Finance and Management Limited from July 2002 to November 2004. He was also the chief financial officer and company secretary of China Hongxing Sports Limited, a company listed on the Singapore Exchange Securities Trading Limited, from December 2004 to May 2007.

Audit Committee

Our Company established an audit committee on May 12, 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company. The audit committee comprises three members, namely, Mr. Cheung Shek Lun and Mr. Xin Luo Lin who are independent non-executive directors and Mr. Leow Juan Thong Jason who is a non-executive director. The audit committee is chaired by Mr. Cheung Shek Lun.

Remuneration Committee

Our Company established a remuneration committee on May 12, 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of the chief executive officer and other executive directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management. The remuneration committee comprises three members, namely, Mr. Wu Po Sum, Mr. Cheung Shek Lun and Mr. Xin Luo Lin. The remuneration committee is chaired by Mr. Wu Po Sum.

Compensation of Directors and Senior Management

The aggregate amount of fees, salaries, housing allowances, other allowances and benefits in kind (including our contribution to the retirement scheme) paid to our Directors by our Group for the years ended December 31, 2007, 2008 and 2009 were approximately RMB5.9 million, RMB11.6 million and RMB13.5 million (US\$2.0 million), respectively. In addition, our executive Directors are entitled to share options granted under the Pre-IPO Share Option Scheme.

Share Option Schemes

We have conditionally adopted a Pre-IPO Share Option Scheme (the “Pre-IPO Share Option Scheme”) on May 14, 2008. We had granted share options to subscribe for an aggregate of 32,000,000 Shares under the Pre-IPO Share Option Scheme to 95 grantees including our Directors, senior managerial staff, consultants and employees.

We adopted a Post-IPO Share Option Scheme (the “Post-IPO Share Option Scheme”) on May 14, 2008, pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group. We believe that the implementation of the Share Option Scheme enables us to recruit and retain high caliber executives and employees. As of July 31, 2010, we granted share options to subscribe for an aggregate of 20,000,000 Shares under the Post-IPO Share Option Scheme.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding Shares as of July 31, 2010 by those persons who beneficially own more than 5% of our outstanding Shares, as recorded in the register maintained by us pursuant to the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

<u>Name</u>	<u>Ordinary shares beneficially owned</u>	
	<u>Number</u>	<u>%</u>
Mr. Wu Po Sum ⁽¹⁾	952,596,820	47.6%
Joy Bright Investments Limited	944,246,820	47.2%
CapitaLand LF (Cayman) Holdings Co., Ltd.	542,105,625	27.1%
CapitaLand Limited ⁽²⁾	542,105,625	27.1%
CapitaLand Residential Limited ⁽²⁾	542,105,625	27.1%
CapitaLand China Holdings Pte Ltd ⁽²⁾	542,105,625	27.1%
Temasek Holdings (Private) Limited ⁽²⁾	542,105,625	27.1%
FV Green Alpha Two Limited ⁽³⁾	289,951,497	14.5%

Notes:

- (1) Represents 944,246,820 Shares held by Joy Bright Investments Limited, a company wholly owned by Mr. Wu Pu Sum and share options granted to Mr. Wu Po Sum under our Pre-IPO Share Option Scheme (as defined under “Management — Share Option Schemes”) and Post-IPO Share Option Scheme (as defined under “Management — Share Option Schemes”) to subscribe for 8,350,000 Shares
- (2) Represents 542,105,625 Shares held by CapitaLand LF (Cayman) Holdings Co., Ltd., a company wholly owned by CapitaLand China Holdings Pte Ltd. CapitaLand China Holdings Pte Ltd is directly wholly owned by CapitaLand Residential Limited which is in turn directly wholly owned by CapitaLand Limited. Temasek Holdings (Private) Limited has an interest in approximately 40.9% of the issued share capital of CapitaLand Limited.
- (3) On August 5, 2009, we entered into a subscription agreement (the “Subscription Agreement”) with FV Green Alpha Two Limited relating to the issue and subscription of the convertible bonds (the “Convertible Bonds”) at an aggregate principal amount of HK\$687 million which were issued in conjunction with the warrants (the “Warrants”) entitling FV Green Alpha Two Limited to subscribe for a maximum of 68,338,594 Shares. Based on the initial conversion price of HK\$3.10 per Share and assuming full conversion of the Convertible Bonds at such conversion price, the Convertible Bonds will be convertible into 221,612,903 Shares (the “Conversion Shares”). The Warrants entitle FV Green Alpha Two Limited to subscribe for a maximum of 68,338,594 Shares (the “Warrant Shares”) at the initial exercise price of HK\$4.10 per Share. As at July 31, 2010, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to FV Green Alpha Two Limited.

RELATED PARTY TRANSACTIONS

The following discussion described certain material related party transactions between our Company and our directors, executive officers and controlling shareholders and, in each case, the companies with whom they are affiliated during the three years ended December 31, 2009 and the seven months ended July 31, 2010.

Acquisition of Minority Interest

Acquisition of equity interest in CCRE Forest Peninsula

In September 2008, CCRE Dahong, a 60% indirectly owned subsidiary of our Company, entered into an equity acquisition agreement with Kaifeng Dahong, a minority shareholder of CCRE Forest Peninsula. Pursuant to this equity acquisition agreement, Kaifeng Dahong transferred its 40% equity interest in CCRE Forest Peninsula to CCRE Dahong at a consideration of RMB4 million. In September 2008, CCRE China, an indirectly wholly owned subsidiary of our Company, entered into an equity transfer agreement with CCRE Dahong to transfer its 60% equity interest in CCRE Forest Peninsula to CCRE Dahong at a consideration of RMB6 million. Upon the completion of these transactions, CCRE Forest Peninsula became a wholly owned subsidiary of CCRE Dahong.

Acquisition of 24% equity interest in CCRE Changjian

In December 2008, CCRE Luohe, an indirectly wholly owned subsidiary of our Company, entered into a share purchase agreement with Luohe Changjian Real Estate Company Limited, a minority shareholder of CCRE Changjian. Pursuant to this share purchase agreement, Luohe Changjian transferred its 24% equity interest in CCRE Changjian to CCRE Luohe at a consideration of RMB21.0 million. Upon the completion of this transaction, our equity interest in CCRE Changjian increased from 51% to 75%.

Acquisition of shareholding in Artstar Investments

In May 2009, CCRE Holdings entered into a share transfer agreement with Brightest Group Limited (“Brightest Group”), a minority shareholder of Artstar Investments. Pursuant to this share transfer agreement, CCRE Holdings acquired 10% shareholding in Artstar Investments along with interests in the shareholder’s loan from Brightest Group at a consideration of RMB75 million. In August 2009, CCRE Holdings entered into share transfer agreements with each of Mass Million International Limited and Superb East Investments Limited, both of which are minority shareholders of Artstar Investments, to purchase from each of them 10% shareholding in Artstar Investments at a consideration of HK\$50 million. Upon the completion of these acquisitions, CCRE Holdings’ shareholding in Artstar Investments increased to 95%.

Disposal of certain retail units and car parking spaces in the Landmark (Zhengzhou) Project

On May 1, 2008, pursuant to a legally binding framework agreement (the “Framework Agreement”) entered into between CCRE China and Farsighted International Limited, CCRE China sold certain retail units of the shopping mall of the Landmark (Zhengzhou) together with several car parking spaces to a project company (the “Purchaser”) established by Farsighted International through one transaction in 2008 for a consideration of RMB296.2 million and another transaction in 2009 for a consideration of RMB94.0 million. The Purchaser was established in the PRC on July 25, 2008 by Farsighted International Limited. Farsighted International Limited was a connected person of our Company as it was an associate of CapitaLand, which was a connected person of the Company. Therefore, the Purchaser, a wholly owned subsidiary of Farsighted International Limited, was also a connected person of the Company.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing arrangements with various financial institutions. As of July 31, 2010, our total outstanding borrowings, including the 2009 Convertible Bonds with Warrants, totaled RMB3,845.2 million (US\$567.7 million). We set forth below a summary of the material terms and conditions of these loans and other material indebtedness.

PRC Bank Loans

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including Bank of China, China Construction Bank, The Agricultural Bank of China, Shanghai Pudong Development Bank and Kaifeng Bank of Commerce. These loans typically are secured project loans to finance the construction of our projects and have terms ranging from one year to three years. As of July 31, 2010, the aggregate outstanding amount under these loans totaled approximately RMB1,551.5 million (US\$229.1 million), of which RMB896.6 million (US\$132.4 million) was due within one year, RMB654.9 million (US\$96.7 million) was due between one and two years, and no amount was due between two and five years. Our PRC bank loans are typically secured by land use rights and properties and/or guaranteed by CCRE China, our wholly owned subsidiary, and most land use rights owned by us have been mortgaged to secure our PRC bank loans. The Notes and the Subsidiary Guarantees will be structurally subordinated to these loans and any other indebtedness incurred by our PRC Subsidiaries.

Interest

The principal amounts outstanding under the PRC bank loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual review by the lenders. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of July 31, 2010, the interest rate on our PRC bank loans ranged from 5.3% to 9.2% per annum.

Covenants

Under these PRC bank loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- making amendments to their constitutional documents in a way that may adversely affect their ability to repay their loans;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- declaring or making payment of dividend or other distribution before the debt service schedules are met;
- selling or disposing of assets;
- transferring of a substantial equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

Events of Default

The PRC bank loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. The lenders are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the PRC bank loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over the land use rights relating to the relevant projects. As of July 31, 2010, RMB1,551.5 million (US\$229.1 million) of our PRC bank loans were secured by mortgages over land use rights and properties owned by our subsidiary borrowers.

Other PRC Loans

Bridge Trust CCRE Trust

With a view to setting up real estate trust funds with a total target size of RMB3,000 million, CCRE China entered into a strategic cooperation agreement with Bridge Trust Co. on May 18, 2010 to set up the Bridge Trust CCRE Trust, a real estate trust fund with a total trust capital of RMB669.5 million. CCRE China has contributed RMB167.4 million and the remaining RMB502.1 million was raised from public subscription.

The Bridge Trust CCRE Trust is managed by an investment committee comprising seven members, of which four are nominated by Bridge Trust Co. and three are nominated by CCRE China. A quorum of two-thirds of the committee members is required for a meeting of the investment committee and all investment decisions need to be approved upon a vote of three-fourths of the attendees. Investments of the Bridge Trust CCRE Trust may be carried out in the form of equity investment via capital injection into our onshore project subsidiaries or new joint ventures established with us. In addition, the trust capital of the Bridge Trust CCRE Trust may be invested in the sovereign and company debts, trust products and any other financial products as approved by the CBRC. Within the first six months upon establishment of the Bridge Trust CCRE Trust, the trust capital may be advanced to CCRE China or its subsidiaries as interest-bearing loans. CCRE has agreed to guarantee a minimum return of 7.5% per annum in respect of the preferred units of the trust subscribed for by the public and will make up any shortfall of the actual trust income from the minimum trust return provided pursuant to the agreement. The Bridge Trust CCRE Trust may exit from a project when the total project GFA sold achieves 90% of the total completed GFA, or upon the expiration of the 57th month following inception of the trust. However, if there is a material accident or suspension of project construction, CCRE China undertakes to purchase the investment of the Bridge Trust CCRE Trust in the relevant project at a price equivalent to 115% of the total investment made by Bridge Trust CCRE Trust in such project. If the Bridge Trust CCRE Trust is terminated due to our default, CCRE China shall purchase all the assets in the Bridge Trust CCRE Trust at a price equivalent to 115% of its aggregate value.

Through three short-term loans entered into in June 2010, a total amount of RMB669.5 million was borrowed by us from the Bridge Trust CCRE Trust for project development purposes. Each of the loans has an interest rate of 6.375% and will be due in December 2010. Each of the loans is secured by a guarantee granted by CCRE China. As of July 31, 2010, RMB669.5 million remained outstanding under these loans.

Bridge Trust Co.

In addition to the borrowings advanced by the Bridge Trust CCRE Trust, we obtained three term loans from Bridge Trust Co. with a term ranging from 24 months to 49 months in April and May 2009. The loans bear an annual interest rate ranging from 9.5% to 13% and are secured by mortgages over the assets of the related projects. As of July 31, 2010, RMB277.9 million remained outstanding under these loans.

Bohai International Trust

On June 3, 2010, CCRE China and Bohai International Trust Company Limited (“Bohai International Trust”) entered into an agreement, pursuant to which Bohai International Trust, acting as the agent of China Construction Bank, agreed to inject a total amount of RMB190 million into the registered capital of CCRE Henan and CCRE China agreed to purchase the related shares from Bohai International Trust for a total consideration of RMB228 million including a RMB38 million premium. The premium will be paid in two equal installments on May 29, 2011 and 2012, respectively, while the remaining amount will be paid in three installments with the final installment due on May 24, 2012. CCRE China’s obligations under this agreement are secured by (i) guarantee granted by CCRE Luoyang in favor of Bohai International Trust and (ii) a pledge by CCRE China over its 56% equity interest in CCRE Henan.

Offshore Loans

Industrial and Commercial Bank of China (Asia)

On June 7, 2008, CCRE Holdings, our wholly owned subsidiary, entered into a loan agreement with Industrial and Commercial Bank of China (Asia) Limited (“ICBC (Asia)”) for a loan of HK\$280 million for general working capital, which agreement was revised by a supplemental loan agreement entered into between the parties in 2010. The loan has a term of 48 months from the drawdown date and carries an floating interest rate with reference to the Hong Kong Interbank Offer Rate (“HIBOR”) plus 3.5% per annum. This loan is secured by a share pledge over the equity interest of Artstar Investments held by CCRE Holdings, a charge over Artstar Investments’ assets and charges over certain bank accounts of our Company, CCRE Holdings and Joy Ascend and is guaranteed by our Company and Joy Ascend. In addition, inter-company borrowings advanced by Joy Ascend to CCRE Holdings are subordinated to this term loan. CCRE Holdings is required to maintain a consolidated tangible net worth of not less than RMB1,000 million, consolidated current asset of not less than 120% of its consolidated current liabilities, consolidated total liabilities of not more than 85% of its consolidated total tangible assets, consolidated total bank borrowing of not more than 70% of its consolidated net worth and consolidated total bank borrowing of not more than 500% of its EBITDA at all times. This loan contains negative undertakings that are ordinarily incorporated by similar loan facilities such as prohibition on CCRE Holdings from paying dividends. Our Company covenants that the beneficial ownership of our Company’s chairman and his associates shall not fall below 38% during the facility term. As of July 31, 2010, a total amount of HK\$140.0 million remained outstanding under this loan. We intend to use part of the net proceeds from this offering to repay this loan.

On September 25, 2009, CCRE Holdings entered into a loan agreement with ICBC (Asia) for a loan of HK\$50 million for refinancing our then outstanding borrowings and acquiring the lands for our Landmark (Hebi) Project and Kaifeng Water System Project. The loan has a term of 36 months from the drawdown date and carries an interest rate of the HKBOR plus 3.0% per annum. This loan is secured by charges over certain bank accounts of our Company and CCRE Holdings and is guaranteed by our Company. In addition, inter-company borrowings advanced by Mr. Wu to CCRE Holdings are subordinated to this term loan. CCRE Holdings is required to maintain a consolidated tangible net worth of not less than RMB1,000 million, consolidated current asset of not less than 120% of its consolidated current liabilities, consolidated total liabilities of not more than 70% of its consolidated total tangible assets, consolidated total bank borrowing of not more than 50% of its consolidated net worth and consolidated total bank borrowing of not more than 500% of its EBITDA at all times. Our chairman undertakes that the beneficial ownership of him and his associates in CCRE Holdings shall not fall below 30%

during the term of the borrowing. As of July 31, 2010, a total amount of HK\$40.9 million remained outstanding. This loan has been fully repaid as of the date of this offering memorandum.

On May 20, 2010, our Company entered into a dividend loan facility with ICBC (Asia). The total amount of the facility is up to HK\$50 million, the term of the facility is one year from the first drawdown date, and the interest is calculated on a daily basis equivalent to 1.75% per annum above the HKBOR. This loan is secured by a charge over not less than RMB50 million fixed deposit placed with Chinese Mercantile Bank in the name of CCRE China and an undertaking made by CCRE China to distribute not less than HK\$50 million of dividend to our Company. Our Company undertakes to first use dividends that it distributes to pay off its facility. As of July 31, 2010, HK\$50.0 million remained outstanding under this loan. We intend to use part of the net proceeds from this offering to repay this loan.

China Construction Bank, Hong Kong Branch

On September 23, 2009, the Company entered into a revolving loan facility with China Construction Bank, Hong Kong Branch. The full amount of US\$10.0 million under the revolving facility was drawn down in Hong Kong dollars on September 30, 2009 for general working capital. The term of the facility is 12 months from the first drawdown date, and it bears interest at floating rates calculated with reference to HIBOR plus 2.5% per annum. We are required to maintain a consolidated tangible net assets of not less than RMB2,500 million, a consolidated current asset to consolidated current liability ratio of not less than 1:1, a consolidated net borrowings to consolidated tangible net worth ratio not less than 0.5:1 and a consolidated total borrowings to EBITDA ratio not more than 3.5:1. The Company covenants that the beneficial ownership of the Company's chairman and his associates shall not fall below 40% during the facility term. We intend to use part of the net proceeds from this offering to repay this loan.

Bank of China (Hong Kong)

On December 18, 2007, CCRE Investments, our wholly owned subsidiary, entered into a term loan facility ("Facility No.1") with Bank of China (Hong Kong) Limited ("BOC (HK)"). The term of the facility is two years from the first drawdown date, and it carries an interest rate of HIBOR plus 2.5% per annum. The full amount of HK\$100.0 million under the facility was drawn down on January 3, 2008 for financing for the acquisition of certain assets for the operation of CCRE (China). On September 8, 2009, CCRE Investments executed a facility letter with BOC (HK) pursuant to which the parties revised Facility No.1 which remained outstanding. In addition, CCRE Investments was granted another HK\$100 million credit facility ("Facility No.2"), under which the full amount of HK\$100.0 million was drawn down on September 29, 2009 for payment of land premium in relation to a parcel of land for Kaifeng Water System Development Project. The term of the new facility is three years from the first drawdown date and it carries an interest rate of HIBOR plus 2% per annum. Both of Facility No.1 and Faculty No.2 are secured by continuing guarantee provided by the Company for HK\$200 million. The Company and CCRE Investments are required to maintain a consolidated net worth of not less than RMB2,000 million, consolidated current asset of not less than 120% of its consolidated current liabilities, consolidated total liabilities of not more than 80% of its consolidated total tangible assets, consolidated total bank borrowing of not more than 50% of its consolidated net worth and consolidated total bank borrowing of not more than 500% of its EBITDA at all times. As a condition precedent, the Company's chairman was required to undertake that during the facility term he shall remain controlling shareholder of CCRE Investments with not less than 30% beneficial ownership, as well as remain controlling shareholder of CCRE China with not less than 30% beneficial ownership.

On April 1, 2010, CCRE Investments executed a facility letter with BOC (HK) pursuant to which CCRE Investments was granted an extension for the maturity of Facility No.1. The terms of this facility is two years from the first drawdown date and it carries an interest rate of HIBOR plus 2% per annum. Facility No.2 and Facility No.3 are both secured by a continuing guarantee provided by our Company for HK\$200 million. All financial covenants applicable to Facility No.2 shall apply to Facility No.3 throughout the life of the facilities.

2009 Convertible Bond with Warrants

On August 31, 2009, the Company issued unsecured convertible bonds with principal amount of HK\$765,000,000 due 2014 (the “Convertible Bonds”) and 76,097,561 warrants (the “Warrants”). The Convertible Bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the Convertible Bonds is August 31, 2014. The Convertible Bonds can be converted to Shares at HK\$3.1 per Share, subject to anti-dilutive adjustment.

Detachable from the Convertible Bonds, each Warrant may be exercised from the date of issue up to August 31, 2014 at the exercise price of HK\$4.10 per share, subject to anti-dilutive adjustment.

In addition to the above, the Company may early redeem all the Convertible Bonds from August 31, 2012 to August 31, 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the Shares for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK\$3.10 per Share. If the Company early redeems the Convertible Bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the Convertible Bonds.

The holders of the Convertible Bonds can require the Company to early redeem all the Convertible Bonds at any time from August 31, 2012 to August 31, 2014 plus any accrued but unpaid interest thereon the redemption date. If our Company is required to early redeem the Convertible Bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the Convertible Bonds.

The holders of the Convertible Bonds can also require the Company to early redeem all the Convertible Bonds if the Company fails to maintain total net worth of not less than 75% of total debt, or consolidated EBITDA of at least 500% of total interest. Holders may also early redeem the Convertible Bonds if beneficial ownership of the Company’s chairman and Joy Bright Investments Limited falls below 30%, or if a person other than the Company’s chairman and Joy Bright Investments Limited acquires more than 50% of the issued share capital of the Company.

As of July 31, 2010, none of the Convertible Bonds had been converted into our Shares and the carrying value of the liability component of the Convertible Bonds was RMB556.7 million. For more information, see note 19 to the unaudited interim financial report for the seven months ended July 31, 2010.

Customer Guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of July 31, 2010, the aggregate outstanding amount guaranteed was RMB2,592.2 million.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Central China Real Estate Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined herein) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Deutsche Bank Trust Company Americas, as trustee (the “Trustee”). The term “Indenture” when used in this offering memorandum will refer to the Indenture as amended by all supplemental Indentures executed on or prior to the date on which the Notes are issued and sold.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Intercreditor Agreement (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at Deutsche Bank Trust Company Americas, Attention: Trust and Securities Services, 60 Wall Street, MSNYC 60-2710, New York, New York 10005.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”;
- effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “— Security” and will:

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens); and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on October 20, 2015, unless earlier redeemed pursuant to the term thereof and the Indenture.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will bear interest at 12.25% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on April 20 and October 20 of each year (each an “Interest Payment Date”), commencing April 20, 2011. Interest on the Notes will be paid to Holders of record at the close of business on April 5 or October 5 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under “Optional Redemption,” “Redemption for Taxation Reasons,” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York (which initially will be the corporate trust administration office of the Trustee), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through DTC will be available to DTC participants (as defined herein) on the Business Day the payment is due.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC (the “Non-Guarantor Subsidiaries”). All of the Subsidiary Guarantors are holding companies that do not have significant operations.

None of the existing Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. In addition, no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC), promptly upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

In the case of a future Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (ii) that is organized in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) a duly executed Security Document that pledges in favor of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

- (iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
- (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of July 31, 2010, the Company and its subsidiaries had total consolidated indebtedness (which includes bank loans, other loans and convertible bonds) of approximately RMB3,845.2 million (US\$567.7 million), of which approximately RMB2,481.7 million (US\$366.4 million) was secured.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

In addition, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "— Security"; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary

Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their respective rights to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released

from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture; or

- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

- (ii) a duly executed Security Document that pledges in favor of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
- (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
- (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Security

The Company has agreed, for the benefit of the Holders, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (the "Collateral") owned by the Company or the Subsidiary Guarantor Pledgors on a first priority basis (subject to Permitted Liens and *pari passu* sharing as described below) on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. The Company and the initial Subsidiary Guarantor Pledgors have agreed to:

- (a) execute one or more Security Documents granting to the Global Security Agent (as defined in the Intercreditor Agreement referred to below), for the benefit of the Secured Creditors, first priority Liens (subject to any Permitted Liens and *pari passu* sharing as described below) (collectively, the "First Priority Lien") on relevant Collateral, substantially in the form attached to the Indenture;
- (b) take all requisite steps under applicable laws and undertake other customary procedures in connection with the granting and perfection (if relevant) of the First Priority Lien on relevant Collateral (subject to any Permitted Liens); and
- (c) promptly deliver to the Trustee an Opinion of Counsel and Officers' Certificate relating to each such pledge in form and substance as set forth in the Indenture.

The initial Subsidiary Guarantor Pledgors are Joy Ascend Holdings Limited, Central China Real Estate Holdings Limited, Bumper Up Limited and Artstar Investments Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary

Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Trustee.

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, the Capital Stock owned by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC) after the Original Issue Date, promptly upon such Person becoming a Restricted Subsidiary, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The Collateral will be shared on a *pari passu* basis by the Holders and the holders of other secured indebtedness including the 2009 Convertible Bonds. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The proceeds realizable from the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted *Pari Passu* Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See “— Release of Security” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness.”

Deutsche Bank Trust Company Americas will initially act as the Global Security Agent under the Security Documents in respect of the security over the Collateral. The Global Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Trustee and the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders and the beneficiaries of the Secured Liabilities. Neither the Trustee nor the Global Security Agent will be under any obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the such parties, unless such parties have offered to the Trustee and/or the Global Security Agent indemnity and/or security satisfactory to the Trustee and the Global Security Agent, as applicable, against any loss, liability or expense.

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement). By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any such Pari Passu Subsidiary Guarantee, “Permitted Pari Passu Secured Indebtedness”); *provided* that (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant described under “— Limitation on Indebtedness and Preferred Stock,” (2) the holders of such Indebtedness (other than Additional Notes) (or their representative) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Subsidiary Guarantee is substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Global Security Agent an Opinion of Counsel and Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee and/or the Global Security Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph.

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

On or before the Original Issue Date, the Trustee on behalf of the Holders, the holders of the 2009 Convertible Bonds, the Company, the Subsidiary Guarantor Pledgors and Deutsche Bank Trust Company Americas, as the Global Security Agent, among others, will enter into an intercreditor agreement (the “Intercreditor Agreement”) pursuant to which the Global Security Agent will agree to act as the collateral agent for the Trustee, the holders of the 2009 Convertible Bonds and holders of any Permitted Pari Passu Secured Indebtedness incurred after the date thereof or their trustee or agent (such holders or their trustee or agent, together with the Trustee, the “Creditor Representatives”) with respect to the Collateral securing the obligations under the Indenture and the 2009 Convertible Bond Instrument or with respect to the Permitted Pari Passu Secured Indebtedness (if any) (such obligations, collectively, are herein referred to as the “Secured Liabilities”). The Intercreditor Agreement will provide, among other things, that (1) the Secured Liabilities shall rank *pari passu* among themselves and the Liens on the Collateral securing the Secured Liabilities shall rank *pari passu* among themselves; (2) the Collateral shall only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the Debt Documents, and the terms for substitution or release of the Collateral shall be substantially similar to the terms of the Debt Documents; and (3) the parties thereto shall enforce their rights with respect to the Collateral and the Indebtedness secured thereby as described in “— Enforcement of Security” below. Items (1), (2) and (3) in the previous sentence (the “Fundamental Intercreditor Rights”) may only be amended or waived with the consent of the Majority Creditors.

After the Original Issue Date and prior to the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the Company will procure that the holders of such Permitted Pari Passu Secured Indebtedness (through their trustee or agent) will execute and deliver a supplement to the Intercreditor Agreement or an accession letter, which shall be in a form substantially similar to the form as prescribed by the Intercreditor Agreement, to become parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution and delivery of the Intercreditor Agreement, any amendments or modifications thereto, and any future intercreditor agreement required under the Indenture.

Enforcement of Security

The first priority Lien securing the Secured Liabilities will be granted to the Global Security Agent. The Global Security Agent for itself and the creditors under the Debt Documents will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the Creditor Representatives to exercise remedies under the Security Documents. The Global Security Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents under the applicable security documents, to follow the instructions provided to it by one or more of the Creditor Representatives under the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Global Security Agent in accordance with instructions it receive from the Holders under the Indenture.

The Intercreditor Agreement will provide that the Global Security Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Global Security Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors. Furthermore, the Intercreditor Agreement will provide that, subject to the rights of any creditor with prior security or any preferential claim under applicable laws, the proceeds of enforcement of any Collateral under the Security Documents will be applied as follows:

first, in or towards payment of any unpaid fees, costs and expenses of the Global Security Agent and any receiver, attorney or agent appointed under the Intercreditor Agreement and Security Documents and any amount for which the Global Security Agent is entitled to indemnification under the Intercreditor Agreement;

secondly, pro rata, in or towards payment to the trustees and/or agents under the 2009 Convertible Bond Instrument, the Indenture and any other Debt Documents for application against any fees, costs and expenses payable to them under the Debt Documents and any amount for which such trustees and/or agents are entitled to indemnification under the applicable Debt Document;

thirdly, pro rata, in or towards payment to each of the Creditor Representatives for the Secured Liabilities for application against the interest and principal payable under the Debt Documents relevant to it;

fourthly, pro rata, in or towards payment of any other sum payable to each of the Creditor Representatives for the Secured Liabilities under the Debt Documents relevant to it; and

lastly, the payment of the surplus (if any) to the Company.

The Global Security Agent may refrain from acting in accordance with the instructions of the Creditor Representatives until it has received security satisfactory to it against any liability or loss which it may incur in complying with the instructions. In addition, the Global Security Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Global Security Agent's Liens on the Collateral.

Neither the Global Security Agent nor the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Secured Liabilities, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so. Nor will the Global Security Agent be responsible for (i) the right or title of any person in or to, or the value of, or sufficiency of any part of the Collateral created by the Security Documents; (ii) the priority of any Lien on the Collateral created by the Security Documents; or (iii) the existence of any other Lien affecting any asset secured under a Security Document.

The Intercreditor Agreement and Security Documents will provide that the Obligors shall jointly and severally forthwith on demand indemnify the Global Security Agent for any liability, damage, cost, expense or loss incurred by the Global Security Agent in any way relating to or arising out of its acting as the Global Security Agent, except to the extent that the liability, damage, cost, expense or loss arises directly from the Global Security Agent's breach of trust, willful default, fraud, gross negligence or willful misconduct.

This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pari Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants described under "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture; and
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor (or its Subsidiaries) in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the first paragraph of the "Limitation on Indebtedness and Preferred Stock" covenant described below; *provided further* that Additional Notes that are consolidated and form a single class with the outstanding Notes must be fungible with the outstanding Notes for U.S. federal income tax purposes.

Optional Redemption

At any time and from time to time on or after October 20, 2013, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on October 20 of each of the years indicated below.

<u>Period</u>	<u>Redemption Price</u>
2013	106.1250%
2014 and thereafter	103.0625%

At any time prior to October 20, 2013, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time and from time to time prior to October 20, 2013, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 112.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption, with at least 35 days' notice to the Trustee. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any recognized securities exchange, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed; or
- (2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate.

A Note of US\$100,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any,

that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's, the Subsidiary Guarantors' and the JV Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each, as applicable, a "Relevant Taxing Jurisdiction"), or any jurisdiction through which payments are made (together with each Relevant Taxing Jurisdiction, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note, the Subsidiary Guarantees or the JV Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Relevant

Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

- (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any withholding or deduction that is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives; or
 - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided that* the Company may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
- (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (m) below);
 - (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
 - (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “Refinance” and “Refinances” and “Refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness Refinanced substantially concurrently with but in any case before the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (p), (q), (r) or (s) of this paragraph (2) and any Refinancings thereof in an amount not to exceed the amount so Refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to Refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are Refinanced in part or the Indebtedness to be Refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be Refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be Refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be Refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be Refinanced, and (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be Refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor (*provided* that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease or other purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in a Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in a Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (h) (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (h) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (p), (q) or (r) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (p), (q) or (r) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided, however,* that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant,

- (ii) Guarantees by any PRC Restricted Subsidiary of Indebtedness that was permitted to be Incurred by another provision of this covenant of another PRC Restricted Subsidiary, (iii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clauses (f) or (h) above or clause (n) below or (iv) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$25.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
- (p) Indebtedness Incurred by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a PRC Project Company; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (p) (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (p) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (h) above or (q) or (r) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h) above or (q) or (r) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 20% of Total Assets;
- (q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (q) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h) or (p) above or (r) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) or (r) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 20% of Total Assets;
- (r) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (r) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p) or (q) above (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) or (q) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 20% of Total Assets; and

- (s) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with Refinancings thereof) not to exceed US\$15.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date).
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso part (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) Notwithstanding any other provision of the Indenture, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary (other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement or (ii) the purchase of Capital Stock of a Restricted Subsidiary held by a Trust Company Investor);
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in part (1) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date, shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Notes are originally issued and ending on the last day of the

Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

- (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
- (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person.

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital

Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) dividends paid to, or the purchase of Capital Stock of any PRC Project Company held by, any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(p) of the “Limitation on Indebtedness and Preferred Stock” covenant;
- (7) the declaration and payment of dividends by the Company in an aggregate amount not to exceed US\$30.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date) with respect to the fiscal year ended December 31, 2010; or
- (8) any Restricted Payment in an aggregate amount, taken together with all other Restricted Payments made in reliance on this clause (8), not to exceed US\$20.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date).

provided that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1) and (8) of the preceding paragraph shall be included in calculating whether the conditions of clause (4)(c) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be their Fair Market Value. The Board of Directors’ determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers’ Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this “— Limitation on Restricted Payments” covenant were computed, together with a copy of any opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, Refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, Refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
 - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales” covenants;
 - (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause (2)(h) or permitted under clause (2)(n), (2)(p), (2)(q), (2)(r) or (2)(s) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes, and

any extensions, Refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

- (g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially adversely affect the ability of (x) the Company to make required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee, respectively; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, Refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided that* the Company complies with the "— Limitation on Asset Sales" covenant; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any other Restricted Subsidiary, unless (1) (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner

whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(c), (2)(d) or (2)(m)(ii) or (2)(m)(iii) (other than, with respect to clause (2)(m)(iii), a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary that is not a Subsidiary of a PRC Restricted Subsidiary), under the caption “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$3.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company, in each case issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company; and
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary Guarantor is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction pursuant to the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;
- (3) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in part (1) of the covenant described under “— Limitation on Indebtedness and Preferred Stock” after giving pro forma effect to such Asset Disposition; and
- (4) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company’s most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or to acquire Replacement Assets; or
- (3) make an Investment in cash or Temporary Cash Investments pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “Excess Proceeds.” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by

- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant described under “— Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under “— Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation;

(2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under “— Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as required under “— Security.”

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;

- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on the Company’s Business Activities”;
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”; and
- (8) “— Certain Covenants — Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee
 - (a) within 120 days after the close of each fiscal year, an Officers’ Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each

component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Further, the Company, each Subsidiary Guarantor and each JV Subsidiary Guarantor have agreed that, for as long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor is neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, shall supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial owner of a Note.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority Lien on the Collateral (subject to any Permitted Liens) in accordance with the provisions described under the caption "— Security";
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$7.5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$7.5 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator

or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

- (8) the Company or any Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms in writing its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a first priority Lien on the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and

interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and its Restricted Subsidiaries’ performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See “— Provision of Financial Statements and Reports.”

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the “Surviving Person”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and

delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the proviso in part (1) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this covenant and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption “— Consolidation, Merger and Sale of Assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than to the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company or another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in part (1) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each

case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

- (6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money, U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee (a) either (i) an Opinion of Counsel from a firm of recognized international standing with respect to U.S. federal income tax matters which is based on a change in

applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Company's exercise of its option under this "Defeasance and Discharge" provision and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred or (ii) a ruling directed to the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (b) an Opinion of Counsel from a firm of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— Certain Covenants-Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants-Anti-Layering," clause (3) under "Events of Default" with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "Events of Default" with respect to such other covenants and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2)(b) of the preceding paragraph and the delivery by the Company to the Trustee of an Opinion of Counsel from a firm of recognized international standing with respect to U.S. federal income tax matters to the effect that beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document, *provided* however that such amendment shall not adversely affect the interest of the Holders;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of DTC, Euroclear or Clearstream;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Global Security Agent to enter into any supplements or amendments to the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);
- (11) make any other change that does not materially and adversely affect the rights of any Holder; or
- (12) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be modified or amended, and future compliance with any provision thereof may be waived, with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes; *provided*, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (13) change the redemption date or the redemption price of the Notes from that stated under the captions “— Optional Redemption” or “— Redemption for Taxation Reasons”;
- (14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning the Trustee and the Agents

Deutsche Bank Trust Company Americas, has been appointed as Trustee under the Indenture and as note registrar (the “Note Registrar”), paying agent (the “Paying Agent”) and transfer agent (the “Transfer Agent,” and

together with the Trustee, the Note Registrar and the Paying Agent, the “Agents”) with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

None of the Trustee, the Paying Agent, the Note Registrar, or the security agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so, except as a result of the Agent’s own fraud, gross negligence or willful misconduct.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

Deutsche Bank Trust Company Americas will initially act as Global Security Agent under the Security Documents in respect of the Security over the Collateral. The Global Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders. The Global Security Agent will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Global Security Agent indemnity or security reasonably satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Global Security Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee or the Global Security Agent in respect of such risks.

Book-Entry; Delivery and Form

The certificates representing the Notes will be issued in fully registered form without interest coupons. Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a “Regulation S Global Note”) and will be deposited with Deutsche Bank Trust Company Americas as custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream.

Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a “Restricted Global Note”); and together with the Regulation S Global Notes, the “Global Notes”) and will be deposited with Deutsche Bank Trust Company Americas as custodian for, and registered in the name of a nominee of, DTC.

Each Global Note (and any Notes issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under “Transfer Restrictions.”

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC (“participants”) or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified institutional buyers may hold their interests in a Restricted Global Note directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such system. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC’s applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream.

Payments of the principal of, and interest on, a Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither the Company, nor any of the Guarantors, the Trustee, the Note Registrar nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

The Company expects that DTC will take any action permitted to be taken by a Holder (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC will exchange the applicable Global Note for Certificated Notes, which it will distribute to its participants and which may be legended as set forth under the heading “Transfer Restrictions.”

The Company understands that: DTC is a limited purpose trust company organized under the laws of the State of New York, a “banking organization” within the meaning of New York Banking Law, a member of the Federal

Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “Clearing Agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies and certain other organizations that clear through or maintain a custodial relationship with a participant, either directly or indirectly (“indirect participants”).

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, any of the Subsidiary Guarantors, the Trustee, the Note Registrar or any Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depository for the Global Notes and a successor depository is not appointed by the Company within 90 days, the Company will issue Certificated Notes in registered form, which may bear the legend referred to under “Transfer Restrictions,” in exchange for the Global Notes. Holders of an interest in a Global Note may receive Certificated Notes, which may bear the legend referred to under “Transfer Restrictions,” in accordance with the DTC’s rules and procedures in addition to those provided for under the Indenture.

The Clearing Systems

General

DTC, Euroclear and Clearstream have advised the Company as follows:

DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a “banking organization” within the meaning of New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC’s participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the Initial Purchasers. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. In addition, beneficial owners of Notes in DTC will receive all distributions of principal of and interest on the Notes from the Trustee through such DTC participant.

Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Initial Settlement

Initial settlement for the Notes will be made in immediately available funds. All Notes issued in the form of global notes will be deposited with Deutsche Bank Trust Company Americas, as custodian for DTC. Investors' interests in Notes held in book-entry form by DTC will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Euroclear and Clearstream will initially hold positions on behalf of their participants through DTC.

Investors electing to hold their Notes through DTC (other than through accounts at Euroclear or Clearstream) must follow the settlement practices applicable to United States corporate debt obligations. The securities custody accounts of investors will be credited with their holdings against payment in same day funds on the settlement date.

Investors electing to hold their Notes through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear Holders and of Clearstream Holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC Participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in same-day funds using DTC's Same Day Funds Settlement System.

Trading between Euroclear and Clearstream Participants. Secondary market trading between Euroclear participants and Clearstream participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC Seller and Euroclear or Clearstream Purchaser. When Notes are to be transferred from the account of a DTC participant to the account of a Euroclear participant or a Clearstream participant, the purchaser must send instructions to Euroclear or Clearstream through a participant at least one business day prior to settlement. Euroclear or Clearstream, as the case may be, will receive the Notes against payment. Payment will then be made to the DTC participant's account against delivery of the Notes. Payment will include interest accrued on the Notes from and including the last interest payment date to and excluding the settlement date, on the basis of a calendar year consisting of twelve 30-day calendar months. For transactions settling on the 31st day of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made to the DTC participant's account against delivery of the Notes. After settlement has been completed, the Notes will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream participant's account. Credit for the Notes will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Notes will accrue from, the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade date fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear participants or Clearstream participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the Notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream participants purchasing Notes would incur overdraft charges for one day, assuming they cleared the overdraft when the Notes were credited to their accounts. However, interest on the Notes would accrue from the value date. Therefore, in many cases, the investment income on Notes earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

Finally, day traders that use Euroclear or Clearstream and that purchase Notes from DTC participants for credit to Euroclear participants or Clearstream participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- (1) borrowing through Euroclear or Clearstream for one day (until the purchase side of the day trade is reflected in their Euroclear account or Clearstream account) in accordance with the clearing system's customary procedures;
- (2) borrowing the Notes in the United States from a DTC participant no later than one day prior to settlement, which would give the Notes sufficient time to be reflected in the borrower's Euroclear account or Clearstream account in order to settle the sale side of the trade; or
- (3) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear participants or Clearstream participants.

Trading between Euroclear or Clearstream Seller and DTC Purchaser. Due to the time zone differences in their favor, Euroclear participants or Clearstream participants may employ their customary procedures for transactions in which Notes are to be transferred by the respective clearing system to another DTC participant. The seller must send instructions to Euroclear or Clearstream through a participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream will credit the Notes to the DTC participant's account against payment. Payment will include interest accrued on the Notes from and including the last interest payment date to and excluding the settlement date, on the basis of a calendar year consisting of twelve 30-day calendar months. For transactions settling on the 31st day of the month, payment will include interest accrued to the Notes excluding the first day of the following month. Payment will then be made to the DTC participant's account against delivery of the Notes. The payment will then be reflected in the account of the Euroclear participant or Clearstream participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream participant's account will be back-valued to the value date (which would be the preceding day when settlement occurs in New York). If the Euroclear participant or Clearstream participant has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream participant's account would instead be valued as of the actual settlement date.

As in the case with respect to sales by a DTC participant to a Euroclear or Clearstream participant, participants in Euroclear and Clearstream will have their accounts credited the day after their settlement date. See "— Trading between DTC Seller and Euroclear or Clearstream Purchaser" above.

None of the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor, the Trustee, the Note Registrar or any Paying and Transfer Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company or any Guarantor or the Trustee) addressed to the Company, such Guarantor, the Note Registrar, the Paying Agent or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of DTC. Any such notice shall be deemed to have been delivered on the day such notice is delivered to DTC or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint CT Corporation System for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Intercreditor Agreement and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The relevant pledge documents pursuant to "— Security" will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"2009 Convertible Bonds" mean the HK\$765,000,000 4.9% per annum convertible bonds due 2014 issued by the Company on August 31, 2009.

"2009 Convertible Bond Instrument" means the convertible bond instrument dated August 31, 2009 made by way of deed by the Company under which the 2009 Convertible Bonds were issued.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note at October 20, 2013 (such redemption price being set forth in the table appearing above under the caption “— Optional Redemption”), plus (y) all required remaining scheduled interest payments due on such Note through October 20, 2013 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant described under “— Consolidation, Merger and Sale of Assets”;

- (7) sales or other dispositions of cash or of Temporary Cash Investments; and
- (8) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange U.S. dollars or Hong Kong dollars into Renminbi or vice versa; *provided, however*, that the total deposits in such pledged bank accounts shall not at any time be less than 100% or exceed an amount equal to 110% of the aggregate outstanding principal amount of such Indebtedness (or the Dollar Equivalent thereof).

“Board of Directors” means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are the beneficial owners of less than 30% of the total voting power of the Voting Stock of the Company;

- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election to the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking, société anonyme, Luxembourg.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to October 20, 2013.

“Comparable Treasury Price” means, with respect to any redemption date:

- (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities”; or
- (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and

- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

- (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

“Consolidated Net Worth” means, at any date of determination, stockholders' equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Debt Documents” means, collectively, the 2009 Convertible Bond Instrument, the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not

constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“DTC” means The Depository Trust Company and its successors.

“Entrusted Loans” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided that*, such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided that* any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) results in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Euroclear” means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of the Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two fiscal semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Two Semi-Annual Period”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-Annual Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Two Semi-Annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-Annual Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred,

repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;

- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be “Indebtedness.”

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, Entrusted Loans, pre-sale receipts in advance from customers or similar obligations, Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided* that such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and

- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) under the “Limitation on Indebtedness and Preferred Stock” covenant, or (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such clause.

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Intercreditor Agreement” has the meaning set forth under “— Security.”

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

An acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Company will not be deemed an Investment.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company’s proportional interest in the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody’s or both, as the case may be.

“Investment Property” means any property that is owned and held by any PRC Restricted Subsidiary primarily for rental yield or for capital appreciation or both, or any hotel owned by the Company or any PRC Restricted Subsidiary as an investment property.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Majority Creditors” means, as of any time of determination, the creditors under the Debt Documents that represent more than 50% of the aggregate principal amount of secured liabilities outstanding under the Debt Documents at such time.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guaranteed Portion” means, at any time of determination with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries, the aggregate value (without duplication) of the equity interests held by each Independent Third Party in any JV Subsidiary Guarantor as determined by multiplying (x) the total assets as shown on the balance sheet of the relevant JV Subsidiary Guarantor for its most recently ended semi-annual period (or, in the case of the JV Subsidiary Guarantor executing such JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual period, as shown on the balance sheet of such JV Subsidiary Guarantor after giving pro forma effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties) by (y) the proportionate ownership of all Capital Stock held by such Independent Third Party in such JV

Subsidiary Guarantor, provided that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets which would be eliminated from the calculation of Total Assets of the Company for the relevant semi-annual period shall be excluded from the calculation of total assets in clause (x) above.

“Obligors” means, collectively, the Company, the Subsidiary Guarantor Pledgor and any other person who becomes a party to the Intercreditor Agreement as an obligor after the date thereof.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

- (1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$100,000 or integral multiples of US\$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$100,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes

the Offer to Purchase in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Pari Passu Subsidiary Guarantee” means a guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (1) the Company was permitted to Incur such Indebtedness under the covenant described under “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “— Limitation on Asset Sales” or (4) any Event of Default specified in clause (4) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) Mr. Wu Po Sum;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) or the estate or legal representatives of the Person specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under “— Limitation on Asset Sales.”
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;
- (16) payments made pursuant to any Staged Acquisition Agreement;
- (17) advances or deposits paid to government authorities or government-affiliated or supervised entities in the PRC in connection with the financing of land acquisition, land development or land re-development activities in the ordinary course of business that are recorded as assets on the Company’s balance sheet to the extent each such advance or deposit is on normal commercial terms; and
- (18) repurchases of Notes.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations of the type permitted by clause (2)(f) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to Refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being Refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under “— Security — Permitted Pari Passu Secured Indebtedness”;
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee;
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Original Issue Date; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type

described under clause (2)(h) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on the Capital Stock of a PRC Project Company granted by the Company or any PRC Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, Indebtedness of the type permitted to be Incurred under clause (2)(p) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (23) Liens incurred on one or more bank accounts to secure Bank Deposit Secured Indebtedness;
- (24) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary of the type described under clause (2)(r) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (25) Liens incurred or deposits made to secure Entrusted Loans;
- (26) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (27) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(o) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; and
- (28) Liens securing Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors) Incurred pursuant to clause (2)(s) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;

provided that, with respect to the Collateral, “Permitted Liens” shall only refer to the Liens described in clauses (1), (6), (13) and (14) of this definition.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under “— Security — Permitted Pari Passu Secured Indebtedness.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Restricted Subsidiaries; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding the amount of any Public Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary permitted under clauses (2)(a), (2)(b), (2)(d), (2)(f), (2)(g) and (2)(m) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“PRC” means the People’s Republic of China, excluding, solely for purposes of this definition, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Project Company” means any Restricted Subsidiary organized under the laws of the PRC primarily engaged in a Permitted Business.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Rating Agencies” means (1) S&P and (2) Moody’s and (3) if S&P or Moody’s or both shall not make a rating of the Notes publicly available, a recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody’s or both, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (3) the equivalent of any such category of S&P or Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1,” “2” and “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB-,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by both Moody’s and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;
- (b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by an investment banking firm of recognized international standing of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such investment banking firm by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and will, upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, become a Restricted Subsidiary.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Secured Creditors” means, collectively, the Global Security Agent and the creditors and the agents under the Debt Documents.

“Secured Liabilities” means, collectively, all present and future obligations, contingent or otherwise, of the Company and its Subsidiaries to the noteholders, lenders and their agents or trustees under the Debt Documents, including any interest, fees and expenses accruing after the initiation of any insolvency proceeding (irrespective of whether such interest, fees and expenses are allowed as a claim in such proceeding).

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee and/or any Holders in any or all of the Collateral.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Indenture.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire 50% or more of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and which is ‘controlled’ and consolidated by such Person in accordance with GAAP; *provided, however*, that with respect to clause (ii) the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor does not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor does not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, Bank of Communication, China Merchants Bank, Shanghai Pudong Development Bank, China Minsheng Bank, Industrial Bank, Shenzhen Ping An Bank, The Bank of East Asia, Guangdong Development Bank, HuaXia Bank, Shenzhen Development Bank, China Everbright Bank, China CITIC Bank, Henan Rural Credit Union, Bridge Trustee Co., Ltd., Zhongyuan Trustee Co., Ltd., Shenzhen Chinese Mercantile Bank, Bank of Zhengzhou, Bank of Luoyang, Bank of Commerce Kaifeng, Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank, Development Bank of Singapore, China International Capital Corporation Limited, BOC International, Morgan Stanley, Deutsche Bank, Nomura, ING, Bank of America, Citibank and Hang Seng Bank, (ii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong whose long-term debt is rated as high or higher than any of those banks listed in clause (i), or (iii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong; *provided* that, in the case of clause (iii), such deposits do not exceed US\$10.0 million (or the Dollar Equivalent thereof) with any single bank or US\$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant

and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness, *provided* further that only with respect to the calculation of “Non-Guaranteed Portion,” in the case of a JV Subsidiary Guarantor executing a JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual or annual period, the amount of Total Assets shall be calculated after giving pro forma effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution or an insurance company organized under the laws of the PRC, or an Affiliate thereof, that invests in any Capital Stock of a PRC Project Company.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the holder thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, PRC and United States federal income tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

We have been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with our Company:

That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations; and

In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of our Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of 20 years from November 27, 2007.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains

Under the PRC CIT Law and implementation regulations issued by the State Council, if we are treated as a PRC “resident enterprise,” PRC income tax at the rate of 10% (or lower treaty rate, if any) is applicable to interest 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 interest income is not effectively connected with the establishment or place of business, to the extent such interest is derived from sources within the PRC. Similarly, any gain realized on the transfer of the Notes by such investors is also subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC. As advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the CIT Law. If we are treated as a PRC “resident enterprise,” the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, would be treated as income derived from sources within the PRC and may be subject to PRC tax, which may materially and adversely affect the value of investment in the Notes.

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of a Note.

U.S. Federal Income Taxation

CIRCULAR 230: ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES SET FORTH IN THIS OFFERING MEMORANDUM WAS WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING BY THE COMPANY OF THE NOTES. SUCH DISCUSSION WAS NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVICE TO ANY PERSON AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON. EACH INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. The discussion is not a complete description of all the tax considerations that may be relevant to a particular holder. This summary is based on the Internal Revenue Code of 1986, as amended, final, temporary and proposed Treasury Regulations and administrative pronouncements, judicial decisions, all as of the date hereof, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein and may apply retroactively. The discussion addresses only purchasers of the Notes that are U.S. Holders (as defined below), that hold the Notes as capital assets, that purchase the Notes in this offering at their “issue price,” which will be the first price at which a substantial amount of the Notes is sold to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) for money, and that have the U.S. dollar as their functional currency. It does not address all of the issues that may be relevant to the tax treatment of investors subject to special rules, such as — banks, insurance companies, regulated investment companies, real estate investment trusts, U.S. expatriates, investors liable for the alternative minimum tax, beneficial owners of individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, traders that elect mark-to-market treatment, or investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes. It does not address state, local, and foreign tax consequences of the purchase, ownership and disposition of the Notes. It does not address any U.S. federal tax consequences other than U.S. federal income tax consequences (such as the estate tax, gift tax and the medicare tax on reinvestment income).

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES.

U.S. Holders

As used herein, “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes:

- (i) an individual who is a citizen or resident of the United States;
- (ii) a corporation (or other business entity classified as a corporation) created or organized under the laws of the United States, any State thereof or the District of Columbia;
- (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or
- (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes purchases, holds or disposes of the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships and partners in partnerships holding the Notes are urged to consult their own tax advisors.

Taxation of Interest

The gross amount of interest payments received by a U.S. Holder (including any foreign tax withheld and any Additional Amounts) with respect to the Notes will generally be includible in taxable income as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder’s method of tax accounting, provided such interest payments constitute “qualified stated interest,” as defined below.

However, a U.S. Holder of a Note issued with original issue discount, or OID, must include the OID in income as ordinary interest for U.S. federal income tax purposes as it accrues on a constant yield to maturity basis in advance of receipt of the cash payment attributable to such income, regardless of such U.S. Holder’s regular method of tax accounting. Generally, a Note will have OID to the extent that its stated redemption price at maturity exceeds its issue price. However, a Note generally will not have OID if the stated redemption price at maturity exceeds its issue price by less than 1/4 of 1% of the Note’s stated redemption price at maturity multiplied by the number of complete years to maturity, or de minimis OID. The stated redemption price at maturity of a Note is the total of all payments due on the Note other than payments of “qualified stated interest.” In general, “qualified stated interest” is interest that is unconditionally payable at least annually at a single fixed rate.

A U.S. Holder may elect to recognize all of the interest and discount on a Note (including de minimis OID) using a constant yield method. The constant yield election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the U.S. Internal Revenue Service.

For U.S. foreign tax credit purposes, interest payments and OID received or accrued on the Notes will generally be income from foreign sources and will generally be treated as “passive category income” or, in certain cases, “general category income” for U.S. foreign tax credit purposes. Subject to applicable limitations, foreign income taxes withheld from payments in respect of the Notes, if any, may be creditable against U.S. Holder’s federal income tax liability. The U.S. foreign tax credit rules are extremely complex. U.S. Holders should consult their own tax advisors regarding the availability of U.S. foreign tax credits and the application of the U.S. foreign tax credit rules to their particular situation.

Taxation of the Sale, Exchange, Redemption or Retirement of a Note

Upon the sale, exchange, redemption or retirement of a Note, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale, exchange, redemption or retirement (less any accrued but unpaid interest, which will be taxable as interest income, as described above) and the U.S. Holder's adjusted tax basis in such Note. A U.S. Holder's adjusted tax basis in a Note will generally equal the amount the U.S. Holder paid to acquire the Note increased by any OID included in the U.S. Holder's income with respect to the Note and reduced by any payments, other than qualified stated interest payments, previously received by the U.S. Holder.

Gain or loss recognized by a U.S. Holder generally will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. Certain non-corporate U.S. Holders (including individuals) may qualify for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to certain limitations. Gain or loss realized by a U.S. Holder on the sale, exchange, redemption or retirement of a Note generally will be treated for foreign tax credit purposes as gain or loss arising from sources within the United States. However, with respect to a U.S. Holder that is eligible for the benefits of the United States-PRC Income Tax Convention, if we are deemed to be a PRC resident enterprise and gain from the disposition of a Note is taxed under the CIT Law, such gain may be treated as arising from sources within the PRC. See "Taxation — PRC Taxation." Prospective purchasers are urged to consult their independent tax advisors regarding the tax consequences if a foreign tax is imposed on the disposition of a Note, including the availability of the foreign tax credit under the investor's particular circumstances.

Information Reporting and Backup Withholding

Payments of interest, principal or proceeds from the disposition of a Note and the accrual of OID may be subject to information reporting and to backup withholding unless (i) a holder is an exempt recipient or (ii) in the case of backup withholding, the holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Recently enacted legislation requires certain U.S. Holders to report information with respect to their investment in Notes not held through a custodial account with a U.S. financial institution to the Internal Revenue Service. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Notes.

PLAN OF DISTRIBUTION

Deutsche Bank AG, Singapore Branch, ING Bank N.V., London Branch and Nomura International plc are acting as joint book-running managers of the offering and as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite the Initial Purchaser's name.

<u>Initial Purchaser</u>	<u>Principal Amount of Notes</u>
Deutsche Bank AG, Singapore Branch	US\$150,000,000
ING Bank N.V., London Branch	US\$ 60,000,000
Nomura International plc	US\$ 90,000,000
Total	US\$300,000,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) ("QIBs") in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

We have agreed that, for a period of 90 days from the date of this offering memorandum, we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us. The Initial Purchasers in their sole discretion may consent to the offering and sales of debt securities by us at any time without notice.

The Notes will constitute a new class of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

Deutsche Bank AG, Singapore Branch (or its affiliates) may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit Deutsche Bank AG, Singapore Branch (as stabilizing manager) to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither the Company nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that Deutsche Bank AG, Singapore Branch (as stabilizing manager) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in three business days, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The Initial Purchasers, through their affiliates, acting as selling agents where applicable, propose to offer the Notes to certain persons in offshore transactions in reliance on Regulation S and in accordance with applicable law and propose to offer the Notes to QIBs in the United States pursuant to Rule 144A. Except as permitted under the purchase agreement, the Notes will not be offered, sold or delivered within the United States. Any offer or sale of the Notes in the United States in reliance on Rule 144A will be made by broker-dealer affiliates who are registered as such under the Exchange Act. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

No invitation or inducement to engage in investment activity (within the meanings of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by the Initial Purchasers in connection with the issue or sale of the Notes may be communicated or caused to be communicated except in circumstances in which section 21(1) of the FSMA does not apply to the Initial Purchasers. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the Initial Purchasers in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

This offering memorandum has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this offering memorandum may not be issued, circulated or distributed in Hong Kong. A copy of this offering memorandum may, however, be issued, to a limited number of prospective applicants for the Notes in Hong Kong in a manner which does not constitute an offer of the Notes to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been registered with the Monetary Authority of Singapore (the “MAS”). Accordingly, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

PRC

This offering memorandum does not constitute a public offer of the Notes, whether by sale or by subscription, in the PRC. The Notes will not be offered or sold within the PRC by means of this offering memorandum or any other document.

Cayman Islands

No Notes will be offered or sold to the public in the Cayman Islands.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer sale, resale, charge or other transfer of the Notes.

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) to QIBs in compliance with Rule 144A and (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

By its purchase of the Notes, each purchaser of the Notes will be deemed to:

1. represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is: (i) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A; or (ii) a purchaser that is outside the United States;
2. acknowledge that the Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth below;
3. agree that if it is a purchaser other than a purchaser outside the United States and if it should resell or otherwise transfer the Notes within the time period referred to in Rule 144(d) under the Securities Act with respect to such transfer, it will do so only: (a) if such purchaser is an initial investor, (i) to the Company or any subsidiary thereof; (ii) inside the United States to a QIB in compliance with Rule 144A; (iii) outside the United States in an offshore transaction in compliance with Rule 904 under the Securities Act (if available); or (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available); or (b) if such purchaser is a subsequent investor of an interest in the Restricted Global Note, as set forth in (a) above and, in addition, pursuant to any available exemption from the registration requirements under the Securities Act (provided that as a condition to the registration of transfer of any Notes otherwise than as described in (a)(i), (a)(ii) or (a) (iii) above or (c) below, the Company, the Subsidiary Guarantors, the Trustee or the Paying Agent and Note Registrar may, in circumstances that any of them deems appropriate, require evidence as to compliance with any such exemption); or (c) pursuant to an effective registration statement under the Securities Act;
4. agree that it will inform each person to whom it transfers the Notes of any restrictions on transfer of such Notes;
5. understand that if it is a purchaser outside the United States, the Notes will be represented by the Regulation S Global Note and that transfers thereto are restricted as described under "Description of the Notes — Book-Entry; Delivery and Form." If it is a QIB, it understands that the Notes offered in reliance on Rule 144A will be represented by the Restricted Global Note. Before any interest in the Restricted Global Note may be offered, sold, charged or otherwise transferred to a person who is not a QIB, the transferee will be required to provide the Trustee with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restriction referred to above;

6. understand that each Note sold within the United States will bear a legend to the following effect unless otherwise agreed by us and the holder thereof (unless such Note has been sold pursuant to a registration statement that has been declared effective under the Securities Act):

THIS NOTE, THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES (IF ANY) RELATED TO THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN THE TIME PERIOD REFERRED TO IN RULE 144(d) UNDER THE SECURITIES ACT AS IN EFFECT WITH RESPECT TO SUCH TRANSFER, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) IF SUCH PURCHASER IS AN INITIAL INVESTOR, (I) TO CENTRAL CHINA REAL ESTATE LIMITED OR ANY SUBSIDIARY THEREOF; (II) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT; (IV) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); (B) IF SUCH PURCHASER IS A SUBSEQUENT INVESTOR OF AN INTEREST IN THE RESTRICTED GLOBAL NOTE, AS SET FORTH IN (A) ABOVE AND, IN ADDITION, PURSUANT TO ANY AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT (PROVIDED THAT AS A CONDITION TO THE REGISTRATION OF TRANSFER OF ANY NOTES OTHERWISE THAN AS DESCRIBED IN (A)(I), (A)(II) OR (A)(III) ABOVE OR (C) BELOW, THE COMPANY, THE SUBSIDIARY GUARANTORS, THE JV SUBSIDIARY GUARANTORS (IF ANY), THE TRUSTEE OR THE PAYING AGENT AND NOTE REGISTRAR MAY, IN CIRCUMSTANCES THAT ANY OF THEM DEEMS APPROPRIATE, REQUIRE EVIDENCE AS TO COMPLIANCE WITH ANY SUCH EXEMPTION); OR (C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE AND THE PAYING AGENT TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS; and

7. acknowledge that the Company, the Subsidiary Guarantors, the Trustee and Note Registrar, the Paying Agent, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the Trustee and Note Registrar, the Paying Agent and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

RATINGS

The Notes have been rated “B+” by Standard & Poor’s Ratings Services and “B1” by Moody’s Investors Service. The ratings reflect the rating agencies’ assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Milbank, Tweed, Hadley & McCloy LLP as to matters of United States federal and New York law, Li & Partners as to matters of Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law and Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law. Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell LLP as to matters of United States federal and New York law and Jingtian and Gongcheng as to matters of PRC law.

INDEPENDENT ACCOUNTANTS

Our consolidated financial statements as of and for the three years ended December 31, 2007, 2008 and 2009 included in this offering memorandum have been audited by KPMG, certified public accountants. The auditor’s report of KPMG on the consolidated financial statements as of and for the years ended December 31, 2008 (which include the consolidated financial statements as of and for the year ended December 31, 2007) and 2009 are included herein. Our unaudited consolidated interim financial report as of and for the seven months ended July 31, 2010 included in this offering memorandum has been reviewed by KPMG, as stated in their report appearing herein.

LISTING OF THE NOTES

Approval in-principle has been received for the listing of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering circular. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Notes or us. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

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Review report to the board of directors of Central China Real Estate Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages F-3 to F-22 which comprises the consolidated balance sheet of Central China Real Estate Limited as of July 31, 2010 and the related consolidated income statement, consolidated statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the seven month period ended July 31, 2010 and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at July 31, 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
October 6, 2010

Consolidated income statement for the seven months ended July 31, 2010 (unaudited)
(Expressed in Renminbi)

	Note	Seven months ended July 31,	
		2010	2009
		RMB'000	RMB'000
Turnover	3	1,723,301	738,083
Cost of sales		(1,082,566)	(440,934)
Gross profit		640,735	297,149
Other revenue	4	17,013	32,357
Other net income	4	4,005	7,365
Selling and marketing expenses		(70,661)	(55,771)
General and administrative expenses		(100,220)	(80,836)
Other operating expenses		(9,448)	(8,770)
Profit from operations		481,424	191,494
Share of losses of associates		(1,697)	(2,631)
Share of losses of joint ventures		(50)	—
Finance costs	5(a)	(49,898)	(27,788)
Profit before change in fair value of investment properties and income tax		429,779	161,075
Increase in fair value of investment properties		315	1,065
Profit before taxation	5	430,094	162,140
Income tax	6	(190,427)	(53,279)
Profit for the period		<u>239,667</u>	<u>108,861</u>
Attributable to:			
Equity shareholders of the Company		235,382	110,356
Non-controlling interests		4,285	(1,495)
Profit for the period		<u>239,667</u>	<u>108,861</u>
Basic earnings per share (RMB cents)	8	<u>11.77</u>	<u>5.52</u>

The accompanying notes form part of this interim financial report.

Consolidated statement of comprehensive income for the seven months ended July 31, 2010 (unaudited)
(Expressed in Renminbi)

	<u>Note</u>	<u>Seven months ended</u> <u>July 31,</u>	
		<u>2010</u>	<u>2009</u>
		<u>RMB'000</u>	<u>RMB'000</u>
Profit for the period		239,667	108,861
Other comprehensive income for the period	7		
Exchange differences on translation of financial statements of overseas subsidiaries		<u>1,766</u>	<u>1,127</u>
Total comprehensive income for the period		<u>241,433</u>	<u>109,988</u>
Attributable to:			
Equity shareholders of the Company		236,309	111,483
Non-controlling interests		<u>5,124</u>	<u>(1,495)</u>
Total comprehensive income for the period		<u>241,433</u>	<u>109,988</u>

The accompanying notes form part of this interim financial report.

Consolidated balance sheet at July 31, 2010 (unaudited)
(Expressed in Renminbi)

	Note	At July 31, 2010 RMB'000	At December 31, 2009 RMB'000
Non-current assets			
Property, plant and equipment	9	302,940	244,163
Investment properties	10	267,300	264,400
Interest in associates		22,274	19,471
Interest in joint ventures	11	202,320	—
Other financial assets		70,800	15,800
Deferred tax assets		17,246	19,294
		<u>882,880</u>	<u>563,128</u>
Current assets			
Properties for sale	12	6,027,468	5,247,446
Trade and other receivables	13	619,960	275,625
Deposits and prepayments	14	1,313,345	1,146,004
Prepaid tax		106,271	42,474
Restricted bank deposits	15	707,442	506,989
Cash and cash equivalents		2,017,902	2,364,987
		<u>10,792,388</u>	<u>9,583,525</u>
Current liabilities			
Bank loans	16(a)	1,023,228	982,154
Other loans	17(a)	826,120	95,640
Trade and other payables and accruals	18	1,731,343	2,040,030
Receipts in advance		2,414,315	1,770,122
Tax payable		127,025	157,141
		<u>6,122,031</u>	<u>5,045,087</u>
Net current assets		<u>4,670,357</u>	<u>4,538,438</u>
Total assets less current liabilities		<u>5,553,237</u>	<u>5,101,566</u>
Non-current liabilities			
Bank loans	16(a)	970,345	790,662
Other loans	17(a)	468,870	372,880
Convertible bonds	19	556,658	551,288
Deferred tax liabilities		74,558	67,043
		<u>2,070,431</u>	<u>1,781,873</u>
NET ASSETS		<u>3,482,806</u>	<u>3,319,693</u>
CAPITAL AND RESERVES			
Share capital	21	179,637	179,637
Reserves		3,064,571	2,944,720
Total equity attributable to equity shareholders of the Company		<u>3,244,208</u>	<u>3,124,357</u>
Non-controlling interests		238,598	195,336
TOTAL EQUITY		<u>3,482,806</u>	<u>3,319,693</u>

The accompanying notes form part of this interim financial report.

Consolidated statement of changes in equity for the seven months ended July 31, 2010 (unaudited)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company											
	Share capital (Note 21(a))	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Equity component of				Non-controlling interests	Total equity	
						Share-based compensation reserve (Note 20)	convertible bonds (Note 19)	Warrant reserve (Note 19)	Retained profits			Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2010	179,637	1,076,820	322,814	913,502	(20,295)	14,947	43,166	11,906	581,860	3,124,357	195,336	3,319,693
Total comprehensive income for the period												
Profit	—	—	—	—	—	—	—	—	235,382	235,382	4,285	239,667
Other comprehensive income	—	—	—	—	927	—	—	—	—	927	839	1,766
	—	—	—	—	927	—	—	—	235,382	236,309	5,124	241,433
Transactions with owners recognized directly in equity												
<i>Contributions by and distributions to owners of the Company</i>												
Dividend declared and paid	—	—	—	—	—	—	—	—	(118,777)	(118,777)	—	(118,777)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(4,941)	(4,941)
Appropriation to statutory reserve fund	—	—	34,099	—	—	—	—	—	(34,099)	—	—	—
Equity settled share-based payment	—	—	—	—	—	3,292	—	—	—	3,292	—	3,292
	—	—	34,099	—	—	3,292	—	—	(152,876)	(115,485)	(4,941)	(120,426)
<i>Changes in ownership interests in subsidiaries</i>												
Acquisition of additional interest in a subsidiary	—	—	—	(973)	—	—	—	—	—	(973)	(4,322)	(5,295)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	47,401	47,401
	—	—	—	(973)	—	—	—	—	—	(973)	43,079	42,106
Balance at July 31, 2010	179,637	1,076,820	356,913	912,529	(19,368)	18,239	43,166	11,906	664,366	3,244,208	238,598	3,482,806

Consolidated statement of changes in equity for the seven months ended July 31, 2010 (unaudited)—(Continued)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Note	Share capital (Note 21(a))	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve (Note 20)	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2009		179,637	1,076,820	246,938	1,006,607	(22,718)	6,604	446,244	2,940,132	149,790	3,089,922
Total comprehensive income for the period											
Profit								110,356	110,356	(1,495)	108,861
Other comprehensive income	7					1,127			1,127		1,127
Transactions with owners recognized directly in equity											
<i>Contributions by and distributions to owners of the Company</i>											
Dividend declared and paid								(193,834)	(193,834)		(193,834)
Appropriation to statutory reserve fund				22,827				(22,827)			
Equity settled share-based payment							5,077		5,077		5,077
<i>Changes in ownership interests in subsidiaries</i>							5,077	(216,661)	(188,757)		(188,757)
Acquisition of additional interest in a subsidiary					(5,000)				(5,000)		(5,000)
Capital contribution from non-controlling interests										35,000	35,000
Balance at July 31, 2009		179,637	1,076,820	269,765	1,001,607	(21,591)	11,681	339,939	2,857,858	183,295	3,041,153

The accompanying notes form part of this interim financial report.

Condensed consolidated cash flow statement for the seven months ended July 31, 2010 (unaudited)
(Expressed in Renminbi)

	Seven months ended July 31,	
	2010	2009
	RMB'000	RMB'000
Cash used in operations	(359,636)	(73,841)
Income tax paid	(274,729)	(124,546)
Net cash used in operating activities	(634,365)	(198,387)
Net cash (used in)/generated from investing activities	(529,746)	47,205
Net cash generated from financing activities	815,308	1,054,477
Net (decrease)/increase in cash and cash equivalents	(348,803)	903,295
Cash and cash equivalents at January 1,	2,364,987	927,721
Effect of changes in foreign exchange rate	1,718	(231)
Cash and cash equivalents at July 31,	<u>2,017,902</u>	<u>1,830,785</u>

The accompanying notes form part of this interim financial report.

Notes to the unaudited interim financial report
(Expressed in Renminbi)

1 Basis of preparation of the interim financial report

This unaudited interim report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorized for issue on October 6, 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page F-2.

The financial information relating to the financial year ended December 31, 2009 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended December 31, 2009 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated March 25, 2010.

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group. The adoption of them does not have significant impact to the Group’s financial statements for current and prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Segment reporting

Services from which reportable segments derive their revenue

Information reported to the Group’s chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group’s activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating segments*.

Turnover from major services

The Group’s turnover from its major services is set out in note 3 to this interim financial report.

Notes to the unaudited interim financial report—(Continued)

Geographic information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan Province in the PRC.

Information about major customers

Included in the turnover for the period is an amount of RMB152,380,000 (2009: RMB93,979,000) which arose from the Group's largest customer.

3 Turnover

The principal activities of the Group are property development, property leasing and construction.

Turnover of the Group for the period is analyzed as follows:

	Seven months ended July 31,	
	2010	2009
	RMB'000	RMB'000
Property sales	1,650,173	721,811
Property leasing	12,470	11,177
Construction	60,658	5,095
	<u>1,723,301</u>	<u>738,083</u>

4 Other revenue and net income

	Seven months ended July 31,	
	2010	2009
	RMB'000	RMB'000
<i>Other revenue</i>		
Interest income	15,656	31,857
Government subsidies	50	500
Dividend income	1,307	—
	<u>17,013</u>	<u>32,357</u>

	Seven months ended July 31,	
	2010	2009
	RMB'000	RMB'000
<i>Other net income</i>		
Net gain/(loss) on disposals of property, plant and equipment	9	(113)
Gain on disposal of a subsidiary	—	7,474
Net exchange gain	3,634	4
Compensation to contractors	362	—
	<u>4,005</u>	<u>7,365</u>

Notes to the unaudited interim financial report—(Continued)

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Seven months ended July 31,	
	2010	2009
	RMB'000	RMB'000
Interest on bank loans	59,531	46,673
Interest on other loans	36,583	21,118
Interest on convertible bonds (note 19)	32,526	—
Interest on advances from customers	4,793	5,943
Other ancillary borrowing costs	4,756	4,246
	<u>138,189</u>	<u>77,980</u>
Less: Borrowing costs capitalized	(86,877)	(50,192)
	51,312	27,788
Net change in fair value of derivatives embedded to convertible bonds (note 19)	(1,414)	—
	<u>49,898</u>	<u>27,788</u>

(b) Other items:

	Seven months ended July 31,	
	2010	2009
	RMB'000	RMB'000
Depreciation and amortization	<u>8,063</u>	<u>6,342</u>

6 Income tax

	Seven months ended July 31,	
	2010	2009
	RMB'000	RMB'000
<i>Current tax</i>		
PRC Corporate Income Tax	84,285	45,435
PRC Land Appreciation Tax	92,837	14,321
Withholding tax	3,694	—
	<u>180,816</u>	<u>59,756</u>
<i>Deferred tax</i>		
Revaluation of properties	(111)	105
Other temporary differences	9,722	(6,582)
	<u>9,611</u>	<u>(6,477)</u>
	<u>190,427</u>	<u>53,279</u>

Notes to the unaudited interim financial report—(Continued)

- (i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.
- (ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.
- (iii) PRC Corporate Income Tax (“CIT”)

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Group’s subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 10% to 15% (2009: 10% to 15%) of their revenue in accordance with the authorized taxation method (核定徵收) pursuant to the applicable PRC tax regulations. The tax rate was 25% (2009: 25%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the audited taxation method (查賬徵收), were charged CIT at a rate of 25% (2009: 25%) on the estimated assessable profits for the period.

- (iv) Land Appreciation Tax (“LAT”)

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain subsidiaries of the Group were subject to LAT which is calculated based on 2% to 5% (2009: 1.5% to 3.5%) of their revenue in accordance with the authorized taxation method.

- (v) Withholding tax

Withholding taxes are levied on the Hong Kong companies in respect of dividend distributions arising from profits of PRC subsidiaries earned after January 1, 2008 and interest received by Hong Kong companies from PRC subsidiaries ranged from 5% to 12%.

7 Other comprehensive income

	Seven months ended July 31,	
	2010	2009
	RMB'000	RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	<u>1,766</u>	<u>1,127</u>

There is no tax effect relating to the above component of other comprehensive income.

8 Basic earnings per share

The calculation of basic earnings per share for the seven months ended July 31, 2010 is based on the profit attributable to equity holders of the Company of RMB235,382,000 (seven months ended July 31, 2009: RMB110,356,000) and the weighted average of 2,000,000,000 shares (seven months ended July 31, 2009: 2,000,000,000 shares) in issue during the period.

Notes to the unaudited interim financial report—(Continued)

No diluted earnings per share is presented as the Company's share options, convertible bonds and warrants as at July 31, 2010 and the Company's share options as at July 31, 2009 do not give rise to any dilution to the earnings per share.

9 Property, plant and equipment

During the seven months ended July 31, 2010, the Group's additions in property, plant and equipment amounted to RMB29,576,000 (seven months ended July 31, 2009: RMB29,931,000). In addition, properties for sale with carrying amount of RMB37,451,000 (seven months ended July 31, 2009: Nil) were transferred to property, plant and equipment during the period. Items of property, plant and equipment with a net book value of RMB187,000, were disposed of during the seven months ended July 31, 2010 (seven months ended July 31, 2009: RMB743,000), resulting a gain on disposal of RMB9,000 (seven months ended July 31, 2009: loss of RMB113,000).

10 Investment properties

All investment properties of the Group were revalued as at July 31, 2010 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis. The completed investment properties are valued by reference to net income with allowance for reversionary income potential.

11 Interest in joint ventures

Included in the interest in joint ventures was an amount of RMB167,370,000, being the Group's interest in a trust arrangement ("the Trust") entered into between the Group and Bridge Trust Company Limited ("Bridge Trust") on May 18, 2010. Pursuant to the Strategic Cooperation Agreement, among others, (i) Bridge Trust has established the Trust with the trust capital of RMB669,470,000 in which RMB502,100,000 (502,100,000 units) are preferred units and RMB167,370,000 (167,370,000 units) are ordinary units; and (ii) the Group has subscribed for the ordinary units of RMB167,370,000.

The Trust is managed by the Investment Committee. The directors are of the opinion that based on the structure of the Investment Committee, neither Bridge Trust (which acts as an agent of the Preferred Unit Holders) nor the Group has controlling power over the Trust. In this regard, the directors consider that the Trust is jointly controlled by Bridge Trust and the Group and therefore treated as joint venture in the consolidated financial statements as at July 31, 2010.

All the trust capital held under the Trust was advanced to the Group as at July 31, 2010.

12 Properties for sale

	At July 31, 2010	At December 31, 2009
	RMB'000	RMB'000
Properties held for future development and under development for sale	5,175,280	4,104,937
Completed properties held for sale	852,188	1,142,509
	<u>6,027,468</u>	<u>5,247,446</u>

Notes to the unaudited interim financial report—(Continued)

13 Trade and other receivables

	At July 31, 2010	At December 31, 2009
	<u>RMB'000</u>	<u>RMB'000</u>
Bill receivables	2,200	290
Trade receivables	163,842	2,950
Other receivables	312,052	142,647
Amounts due from related companies	96,879	112,637
Amounts due from non-controlling interests	7,540	—
Gross amount due from a customer for contract work	11,797	—
Derivative financial instruments	25,650	17,101
	<u>619,960</u>	<u>275,625</u>

Notes:

The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

	At July 31, 2010	At December 31, 2009
	<u>RMB'000</u>	<u>RMB'000</u>
Current or less than 1 month overdue	161,335	443
1 to less than 3 months overdue	130	130
3 to less than 6 months overdue	463	250
6 months to less than 1 year overdue	522	786
More than 1 year overdue	1,392	1,341
	<u>163,842</u>	<u>2,950</u>

In respect of trade receivables of mortgage sales, no credit terms will be granted to the purchasers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such purchasers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownership of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances, except for the mortgage loans receivable as set out in note 23.

Notes to the unaudited interim financial report—(Continued)

14 Deposits and prepayments

At July 31, 2010, the balance included deposits and prepayments for leasehold land of RMB939,049,000 (December 31, 2009: RMB833,550,000).

15 Restricted bank deposits

	At July 31, 2010	At December 31, 2009
	RMB'000	RMB'000
Guarantee deposits in respect of:		
— mortgage loan related to properties sale	332,718	181,985
— bills payable	324,724	265,004
— bank loans (<i>note 16(b)</i>)	50,000	60,000
	<u>707,442</u>	<u>506,989</u>

16 Bank loans

(a) At July 31, 2010, the bank loans were repayable as follows:

	At July 31, 2010	At December 31, 2009
	RMB'000	RMB'000
Within 1 year	1,023,228	982,154
After 1 year but within 2 years	896,827	646,226
After 2 years but within 5 years	73,518	144,436
	<u>970,345</u>	<u>790,662</u>
	<u>1,993,573</u>	<u>1,772,816</u>

(b) At July 31, 2010, the bank loans were secured as follows:

	At July 31, 2010	At December 31, 2009
	RMB'000	RMB'000
Secured	1,926,182	1,656,594
Unsecured	67,391	116,222
	<u>1,993,573</u>	<u>1,772,816</u>

As July 31, 2010, assets of the Group secured against bank loans are analyzed as follows:

	At July 31, 2010	At December 31, 2009
	RMB'000	RMB'000
Properties for sale	1,924,801	1,852,163
Restricted bank deposits	50,000	60,000
	<u>1,974,801</u>	<u>1,912,163</u>

Notes to the unaudited interim financial report—(Continued)

17 Other loans

(a) At July 31, 2010, the other loans were repayable as follows:

	At July 31, 2010	At December 31, 2009
	RMB'000	RMB'000
Within 1 year	826,120	95,640
After 1 year but within 2 years	316,870	119,010
After 2 years but within 5 years	152,000	253,870
	468,870	372,880
	1,294,990	468,520

(b) At July 31, 2010, the other loans were secured as follows:

	At July 31, 2010	At December 31, 2009
	RMB'000	RMB'000
Secured	555,520	391,880
Unsecured	739,470	76,640
	1,294,990	468,520

Secured other loans were secured by assets of the Group as follows:

	At July 31, 2010	At December 31, 2009
	RMB'000	RMB'000
Properties for future development and under development for sale	298,567	250,439

Apart from the above, secured other loans with carrying amount of RMB25,000,000 (2009: RMB40,000,000) were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB127,548,000 (December 31, 2009: RMB141,262,000) at July 31, 2010.

(c) Included in the current other loans was an amount of RMB669,470,000 (December 31, 2009: RMB Nil) advanced from the joint venture as described in note 11. The amount is unsecured, interest bearing at 6.3% per annum and repayable on December 24, 2010.

Notes to the unaudited interim financial report—(Continued)

18 Trade and other payables and accruals

	At July 31, 2010	At December 31, 2009
	<u>RMB'000</u>	<u>RMB'000</u>
Bill payables	324,724	265,004
Trade payables	517,296	806,226
Other payables and accruals	666,989	688,491
Amounts due to related companies	—	32
Amounts due to non-controlling interests	79,110	158,437
Gross amount due to customers for contract works	51,456	36,380
Derivative financial instruments	91,768	85,460
	<u>1,731,343</u>	<u>2,040,030</u>

The ageing analysis of trade payables is set out as follows:

	At July 31, 2010	At December 31, 2009
	<u>RMB'000</u>	<u>RMB'000</u>
Due within 1 month or on demand	245,090	698,230
Due after 1 year	272,206	107,996
	<u>517,296</u>	<u>806,226</u>

19 Convertible bonds

On August 31, 2009, the Company issued unsecured convertible bonds with principal amount of HK\$765,000,000 due 2014 (the “convertible bonds”) and 76,097,561 warrants (the “warrants”). The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is August 31, 2014. The convertible bonds can be converted to shares of the Company at HK\$3.1 per share, subject to anti-dilutive adjustment, from February 28, 2010 to August 31, 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to August 31, 2014 at the exercise price of HK\$4.1 per share, subject to anti-dilutive adjustment. Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments.

In addition to the above, the Company may early redeem all the convertible bonds from August 31, 2012 to August 31, 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK\$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from August 31, 2012 to August 31, 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for at fair value at the initial recognition date as derivative financial instruments as the value is remeasured at each balance sheet date.

Notes to the unaudited interim financial report—(Continued)

The movements of different components of the convertible bonds/warrants are set out below:

	Liability component of the convertible bonds	Redemption call option	Redemption put option	Equity component of the convertible bonds	Warrant reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(a)	(b)	(c)	(d)	(d)	
At January 1, 2010	551,288	(17,101)	85,460	43,166	11,906	674,719
Interest and transaction costs amortized	12,133	—	—	—	—	12,133
Change in fair value	—	(8,794)	7,380	—	—	(1,414)
Exchange difference	(6,763)	245	(1,072)	—	—	(7,590)
At July 31, 2010	<u>556,658</u>	<u>(25,650)</u>	<u>91,768</u>	<u>43,166</u>	<u>11,906</u>	<u>677,848</u>

(a) At July 31, 2010, the liability component of convertible bonds was repayable as follows:

	At July 31, 2010	At December 31, 2009
	RMB'000	RMB'000
After two years but within five years	<u>556,658</u>	<u>551,288</u>

(b) Redemption call option represents the fair value of the Company's option to early redeem all of the convertible bonds.

(c) Redemption put option represents the fair value of the options of the holders of the convertible bonds to early redeem all of the convertible bonds.

(d) Equity component of convertible bonds and warrant reserve represent the excess of proceeds of the convertible bonds over the amount initially recognized as the liability component of convertible bonds and the redemption call and put options.

The fair value of the redemption call and put options at July 31, 2010 and December 31, 2009 were measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data. The fair value of the liability component of convertible bonds and the redemption call and put options were determined by an independent valuer, Savills Valuation and Professional Services Limited.

The assumptions applied in determining the fair value of the redemption call and put options at July 31, 2010 and December 31, 2009 using Binomial (Coz, Ross, Rubinstein) option pricing model are set out as follows:

	At July 31, 2010	At December 31, 2009
Share price (HK\$)	2.00	2.22
Expected volatility	65%	62%
Expected dividends	3.5%	5%
Risk-free interest rate	1.09%	1.93%
Option life	4.09 years	4.67 years
Effective interest rate	9.3%	9%

Notes to the unaudited interim financial report—(Continued)

20 Equity settled share-based transaction

On May 25, 2010, the Company conditionally granted certain share options to the Company's directors and employees (no share options were granted during the seven months ended July 31, 2009). The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK\$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share option are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

The weighted average value per share option granted during the period estimated at the date of grant using binomial (Cox, Ross, Rubinstein model) was HK\$0.8. The weighted average assumptions used are as follows:

Fair value at measurement date	HK\$0.8
Share price	HK\$1.7
Exercise price	HK\$1.9
Expected volatility	68%
Option life	1 year from different vesting periods
Expected dividends	3.9%
Risk-free interest rate	2.6%

The number and the weighted average exercise price of share options are as follows:

	<u>Exercise price</u>	<u>Number of options</u>
	<u>HK\$</u>	
Outstanding at January 1, 2010	2.75	30,050,000
Granted during the period	1.90	20,000,000
Lapsed during the period	2.75	(600,000)
Outstanding at July 31, 2010	2.41	<u>49,450,000</u>
Exercisable at July 31, 2010	2.75	<u>17,670,000</u>

The options outstanding at July 31, 2010 had a weighted average exercise price of HK\$2.41 (December 31, 2009: HK\$2.75) and a weighted average remaining contractual life of 2.1 years (December 31, 2009: 1.7 years).

No options were exercised during the seven months ended July 31, 2010 (seven months ended July 31, 2009: Nil).

Notes to the unaudited interim financial report—(Continued)

21 Capital, reserves and dividends

(a) Share capital

The share capital at July 31, 2010 is as follows:

	July 31, 2010		December 31, 2009	
	No. of shares	Amount	No. of shares	Amount
	<u>'000</u>	<u>HK\$'000</u>	<u>'000</u>	<u>HK\$'000</u>
<i>Authorized:</i>				
Ordinary shares of HK\$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.1 each	2,000,000	200,000	2,000,000	200,000
		<u>RMB'000</u>		<u>RMB'000</u>
RMB equivalent		179,637		179,637

(b) Dividend

- (i) The Board of Directors does not recommend the payment of an interim dividend for the seven months ended July 31, 2010 (seven months ended July 31, 2009: RMB Nil).
- (ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the period:

	Seven months ended July 31,	
	<u>2010</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$6.8 cents (equivalent to RMB5.94 cents) per ordinary share (seven months ended July 31, 2009: HK\$11 cents (equivalent to RMB9.6917 cents) per ordinary share)	118,777	193,834

22 Commitments

Capital commitments outstanding at July 31, 2010 not provided for in the interim financial report are as follows:

	At July 31, 2010	At December 31, 2009
	<u>RMB'000</u>	<u>RMB'000</u>
Authorized but not contracted for	10,585,833	6,690,626
Contracted but not provided for	2,249,599	1,758,903
	<u>12,835,432</u>	<u>8,449,529</u>

Capital commitments mainly related to land and development costs for the Group's properties under development and other investments.

Notes to the unaudited interim financial report—(Continued)

23 Contingent liabilities

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the purchasers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at July 31, 2010 is as follows:

	At July 31, 2010	At December 31, 2009
	<u>RMB'000</u>	<u>RMB'000</u>
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,592,159	2,472,712

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group has not applied for individual building ownership certificates for these purchasers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognized any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

24 Material related party transactions

During the period ended July 31, 2010, major related party transactions entered by the Group are as follows:

	Note	Seven months ended July 31,	
		2010	2009
		<u>RMB'000</u>	<u>RMB'000</u>
Sales of properties	(a)	—	93,978
Rental expenses	(b)	262	235
Interest expenses	(c)	<u>5,631</u>	<u>6,389</u>

- (a) During the period ended July 31, 2009, the Group sold commercial properties at a consideration of RMB93,978,000 to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company. The unsettled amount at July 31, 2010 amounted to RMB81,789,000 (December 31, 2009: RMB112,347,000), including those relating to sales to that entity in 2008. The outstanding amount is unsecured, interest free and recoverable on demand.
- (b) The amount represented rental expenses for the office of the Group paid to a related company, in which Mr. Wu Po Sum has significant interest.
- (c) The amount represented interest expenses in relation to an advance from non-controlling interests which is interest bearing at 12% per annum.
- (d) Key management personnel remuneration

Notes to the unaudited interim financial report—(Continued)

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and senior management, are as follows:

	Seven months ended July 31,	
	2010	2009
	RMB'000	RMB'000
Directors' fees	571	579
Salary and other emoluments	5,793	5,395
Contribution to retirement benefit schemes	28	29
Share-based payment	<u>1,337</u>	<u>2,792</u>
	<u>7,729</u>	<u>8,795</u>



**Independent auditor's report to the shareholders of
Central China Real Estate Limited**

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") set out on pages F-25 to F-85, which comprise the consolidated and company balance sheets as at December 31, 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

March 25, 2010

Consolidated Income Statement
for the year ended December 31, 2009 (Expressed in Renminbi)

	Note	2009	2008
		RMB'000	RMB'000
Turnover	4	2,739,831	3,226,996
Cost of sales		<u>(1,788,249)</u>	<u>(1,988,764)</u>
Gross profit		951,582	1,238,232
Other revenue	5	41,964	30,752
Other net income	5	21,541	18,548
Selling and marketing expenses		(113,285)	(97,484)
General and administrative expenses		(164,708)	(152,867)
Other operating expenses		<u>(19,292)</u>	<u>(20,271)</u>
Profit from operations		717,802	1,016,910
Share of loss of an associate	17	(2,831)	(2,983)
Finance costs	6(a)	<u>(66,080)</u>	<u>(53,144)</u>
Profit before change in fair value of investment properties and income tax		648,891	960,783
Change in fair value of investment properties	15	<u>2,461</u>	<u>(1,400)</u>
Profit before taxation	6	651,352	959,383
Income tax	7(a)	<u>(223,221)</u>	<u>(304,454)</u>
Profit for the year		<u>428,131</u>	<u>654,929</u>
Attributable to:			
Equity shareholders of the Company		405,326	653,301
Minority interests		<u>22,805</u>	<u>1,628</u>
Profit for the year		<u>428,131</u>	<u>654,929</u>
Earnings per share	12		
— Basic (<i>RMB cents</i>)		20.27	32.67
— Diluted (<i>RMB cents</i>)		<u>20.15</u>	<u>32.67</u>

The accompanying notes form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 30(c).

**Consolidated Statement of Comprehensive Income
for the year ended December 31, 2009 (Expressed in Renminbi)**

	Note	2009	2008
		RMB'000	RMB'000
Profit for the year		428,131	654,929
Other comprehensive income/(loss) for the year			
Exchange differences on translation of financial statements of overseas subsidiaries	11	<u>2,659</u>	<u>(11,727)</u>
Total comprehensive income for the year		<u>430,790</u>	<u>643,202</u>
Attributable to:			
Equity shareholders of the Company		407,749	640,605
Minority interests		<u>23,041</u>	<u>2,597</u>
Total comprehensive income for the year		<u>430,790</u>	<u>643,202</u>

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
at December 31, 2009 (Expressed in Renminbi)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	14	244,163	211,209
Investment properties	15	264,400	254,584
Interest in an associate	17	19,471	22,302
Other financial assets	18	15,800	15,400
Deferred tax assets	29(b)	19,294	3,309
		<u>563,128</u>	<u>506,804</u>
Current assets			
Properties for sale	19	5,247,446	4,803,837
Trade and other receivables	20	275,625	223,103
Deposits and prepayments	21	1,146,004	343,568
Prepaid tax	29(a)	42,474	27,520
Restricted bank deposits	22	506,989	409,797
Cash and cash equivalents		2,364,987	927,721
		<u>9,583,525</u>	<u>6,735,546</u>
Current liabilities			
Bank loans	23	982,154	488,790
Other loans	24	95,640	123,950
Trade and other payables and accruals	25	2,040,030	1,940,923
Receipts in advance	26	1,770,122	947,270
Tax payable	29(a)	157,141	106,842
		<u>5,045,087</u>	<u>3,607,775</u>
Net current assets		<u>4,538,438</u>	<u>3,127,771</u>
Total assets less current liabilities		<u>5,101,566</u>	<u>3,634,575</u>
Non-current liabilities			
Bank loans	23	790,662	444,417
Other loans	24	372,880	36,790
Convertible bonds	27	551,288	—
Deferred tax liabilities	29(b)	67,043	63,446
		<u>1,781,873</u>	<u>544,653</u>
NET ASSETS		<u>3,319,693</u>	<u>3,089,922</u>
CAPITAL AND RESERVES			
Share capital	30	179,637	179,637
Reserves		2,944,720	2,760,495
Total equity attributable to equity shareholders of the Company		<u>3,124,357</u>	<u>2,940,132</u>
Minority interests		<u>195,336</u>	<u>149,790</u>
TOTAL EQUITY		<u>3,319,693</u>	<u>3,089,922</u>

Approved and authorized for issue by the board of directors on March 25, 2010

Wu Po Sum
Executive Director

Wang Tianye
Executive Director

The accompanying notes form part of these financial statements.

Balance Sheet
at December 31, 2009 (Expressed in Renminbi)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		RMB'000	RMB'000
Non-current assets			
Interest in subsidiaries	16	<u>1,988,999</u>	1,433,418
Current assets			
Prepayments		64	65
Derivative financial instruments	20	17,101	—
Cash and cash equivalents		<u>144,245</u>	36,527
		<u>161,410</u>	36,592
Current liabilities			
Bank loans	23	68,222	—
Other payables and accruals	25	<u>85,460</u>	3,775
		<u>153,682</u>	3,775
Net current assets		<u>7,728</u>	32,817
Total assets less current liabilities		<u>1,996,727</u>	1,466,235
Non-current liabilities			
Convertible bonds	27	<u>551,288</u>	—
NET ASSETS		<u>1,445,439</u>	1,466,235
CAPITAL AND RESERVES			
Share capital	30	179,637	179,637
Reserves		<u>1,265,802</u>	1,286,598
TOTAL EQUITY		<u>1,445,439</u>	1,466,235

Approved and authorized for issue by the board of directors on March 25, 2010

Wu Po Sum
Executive Director

Wang Tianye
Executive Director

The accompanying notes form part of these financial statements.

**Consolidated Statement of Changes in Equity
for the year ended December 31, 2009 (Expressed in Renminbi)**

	Attributable to equity shareholders of the Company											
	Share capital (Note 30(a))	Share premium (Note 30(b)(i))	Statutory reserve fund (Note 30(b)(ii))	Other capital reserve (Note 30(b)(iii))	Exchange reserve (Note 30(b)(iv))	Share-based compensation reserve (Note 30(b)(v))	Equity convertible bonds (Note 27)	Warrant reserve (Note 27)	Retained profits	Total	Minority interests	Total equity
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2009 ..	179,637	1,076,820	246,938	1,006,607	(22,718)	6,604	—	—	446,244	2,940,132	149,790	3,089,922
Changes in equity for 2009												
Dividend approved in respect of the previous year	—	—	—	—	—	—	—	—	(193,834)	(193,834)	—	(193,834)
Appropriation to statutory reserve fund	—	—	75,876	—	—	—	—	—	(75,876)	—	—	—
Equity settled share-based payment	—	—	—	—	—	8,343	—	—	—	8,343	—	8,343
Issue of convertible bonds with warrants	—	—	—	—	—	—	43,166	11,906	—	55,072	—	55,072
Acquisition of additional interest in a subsidiary	—	—	—	(93,105)	—	—	—	—	—	(93,105)	—	(93,105)
Dividend paid to minority interests	—	—	—	—	—	—	—	—	—	—	(14,000)	(14,000)
Capital contribution from minority interests	—	—	—	—	—	—	—	—	—	—	36,505	36,505
Total comprehensive income for the year	—	—	—	—	2,423	—	—	—	405,326	407,749	23,041	430,790
Balance at December 31, 2009	179,637	1,076,820	322,814	913,502	(20,295)	14,947	43,166	11,906	581,860	3,124,357	195,336	3,319,693

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity—(Continued)
for the year ended December 31, 2009 (Expressed in Renminbi)

Note	Atributable to equity shareholders of the Company								Total equity RMB'000
	Share capital (Note 30(a))	Share premium (Note 30(b)(i))	Statutory reserve fund (Note 30(b)(ii))	Other capital reserve (Note 30(b)(iii))	Exchange reserve (Note 30(b)(iv))	Share-based compensation reserve (Note 30(b)(v))	Retained profits	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2008	114	999,966	115,166	148,348	(10,022)	—	76,715	1,330,287	1,474,801
Changes in equity for 2008									
Dividend declared and paid	—	—	—	—	—	—	(152,000)	(152,000)	(152,000)
Appropriation to statutory reserve fund	—	—	131,772	—	—	—	(131,772)	—	—
Equity settled share-based payment	—	—	—	—	—	6,604	—	6,604	6,604
Nominal value of share capital of the subsidiary transferred	135,021	(999,966)	—	864,945	—	—	—	—	—
Issue of new shares, net of listing expenses	44,502	1,076,820	—	(6,686)	—	—	—	1,121,322	1,121,322
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(6,686)	(21,007)
Capital distribution to minority interests	—	—	—	—	—	—	—	—	(4,000)
Dividend paid to minority interests	—	—	—	—	—	—	—	—	(5,500)
Capital contribution from minority interests	—	—	—	—	—	—	—	—	26,500
Total comprehensive income for the year	—	—	—	—	(12,696)	—	653,301	640,605	643,202
Balance at December 31, 2008	179,637	1,076,820	246,938	1,006,607	(22,718)	6,604	446,244	2,940,132	3,089,922

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement
for the year ended December 31, 2009 (Expressed in Renminbi)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		RMB'000	RMB'000
Operating activities			
Profit before taxation		651,352	959,383
Adjustments for:			
— Interest income		(39,009)	(29,628)
— Depreciation and amortization		12,011	9,660
— Equity settled share-based payment expenses		8,343	6,604
— Dividend income		(1,163)	(1,124)
— (Increase)/decrease in fair value of investment properties		(2,461)	1,400
— Net gain on disposals of property, plant and equipment		(16,012)	(172)
— Share of loss of an associate		2,831	2,983
— Finance costs		66,080	53,144
— Realized loss on trading securities		275	—
— Impairment loss on property, plant and equipment		5,440	—
— Gain on disposal of a subsidiary		(7,474)	—
Changes in working capital:			
— Increase in properties for sale		(388,354)	(963,120)
— (Increase)/decrease in trade and other receivables		(39,935)	27,430
— (Increase)/decrease in deposits and prepayments		(802,436)	336,896
— Increase in trade and other payables and accruals		80,118	489,136
— (Increase)/decrease in restricted bank deposits		(137,192)	4,804
— Increase/(decrease) in receipts in advance		822,852	(439,862)
Cash generated from operations		215,266	457,534
PRC income tax paid		(200,261)	(198,340)
Net cash generated from operating activities		15,005	259,194
Investing activities			
Payment for purchase of property, plant and equipment		(60,251)	(45,913)
Proceeds from disposals of property, plant and equipment		25,858	361
Prepayment for investment in a subsidiary		—	(44,297)
Payment for purchase of trading securities		(4,054)	—
Proceeds from disposals of trading securities		3,779	—
Expenditure on investment properties		(401)	(5,102)
Acquisition of additional interest in subsidiaries		(163,414)	(21,007)
Net cash paid upon acquisitions of subsidiaries	35	—	(298,845)
Net cash received upon disposal of a subsidiary	35	50,000	—
Dividend received		763	1,124
Interest received		39,009	29,628
Net cash used in investing activities		(108,711)	(384,051)

Consolidated Cash Flow Statement—(Continued)
for the year ended December 31, 2009 (Expressed in Renminbi)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		RMB'000	RMB'000
Financing activities			
Proceeds from new bank loans		1,650,812	840,129
Repayment of bank loans		(770,718)	(1,060,828)
Proceeds from new other loans		546,600	40,000
Repayment of other loans		(238,820)	(15,690)
Net proceeds from convertible bonds		671,368	—
Interest paid		(159,115)	(119,863)
Issue of new shares		—	1,121,322
Dividend paid		(193,834)	(152,000)
Dividend paid to minority interests		(14,000)	(5,500)
Capital contribution from minority interests		36,505	26,500
Capital distribution to minority interests		—	(4,000)
Net cash generated from financing activities		<u>1,528,798</u>	<u>670,070</u>
Net increase in cash and cash equivalents		1,435,092	545,213
Cash and cash equivalents at January 1		927,721	399,602
Effect of foreign exchange rate changes		2,174	(17,094)
Cash and cash equivalents at December 31		<u>2,364,987</u>	<u>927,721</u>

The accompanying notes form part of these financial statements.

Notes to The Financial Statements (Expressed in Renminbi)

1 BASIS OF PRESENTATION

Central China Real Estate Limited (“the Company”) was incorporated in the Cayman Islands on November 15, 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business is at Room 1008, Concordia Plaza, No.1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries (“the Group”) are principally engaged in property development in Henan Province in the People’s Republic of China (“the PRC”).

Pursuant to a reorganization of the Group completed on May 14, 2008 (“the Reorganization”) to rationalize the Group’s structure in preparation for the public listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (“the Listing”), the Company became the holding company of the subsidiaries comprising the Group. The shares of the Company were listed on the Stock Exchange on June 6, 2008.

The Group is regarded as a continuing entity resulting from the Reorganization under common control. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout the year ended December 31, 2008 or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganization.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2009 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate. The consolidated financial statements are presented in Renminbi (“RMB”) rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment property (see note 2(h)); and
- derivative financial instruments (see note 2(g)).

Notes to The Financial Statements—(Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future period are discussed in note 36.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from the holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(p) or (q) depending on nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)).

Notes to The Financial Statements—(Continued)

(d) Business combination for entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the holders that controls the Group are accounted for as if the acquisition had occurred at the beginning of the year or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's controlling holder's consolidated financial statements.

The consolidated financial statements include the results of each of the combining entities or business from the earliest date presented, or since the date when combining entities or business first came under the control of the controlling parties, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under control of the controlling parties, whichever is shorter.

Upon transfer of interest in an entity to another entity that are under the control of the equity shareholders that control the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognized directly in equity.

When the Group acquires additional interest in its subsidiaries from minority shareholders, the difference between the consideration and carrying value of minority interests in the Group's consolidated financial statements is dealt with in equity.

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 2(k)). The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognized in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognized in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

(f) Other investments in equity securities

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized in the balance sheet at cost less impairment losses (see note 2(k)).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

Notes to The Financial Statements—(Continued)

(g) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 2(v)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

(i) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(k)):

- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(j)); and
- other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion
- Furniture, fixtures and equipment 5 to 10 years
- Motor vehicles 5 years

Notes to The Financial Statements—(Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(k)). Cost comprises direct costs of construction during the year of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)) or properties for sale (see note 2(l)).

Notes to The Financial Statements—(Continued)

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries and associates (see note 2(k)(ii))) and other current receivables that are stated at cost or amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For investments in associates recognized using the equity method (see note 2(e)), the impairment loss is measured by comparing the receivable amount of the investment as a whole with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortized cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

Notes to The Financial Statements—(Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(k)(i) and (ii)).

Impairment losses recognized in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to The Financial Statements—(Continued)

(l) Properties for sale

Properties for sale are carried at the lower of cost and net realizable value. Cost and net realizable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalized (see note 2(x)). Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bring the properties to their present location and condition.

(m) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of our asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(v)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognized profit less recognized losses and progress billings, and are presented in the balance sheet as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under “Trade and other receivables.” Amounts received before the related work is performed are included in the balance sheet, as a liability, as “Receipts in advance.”

(n) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts (see note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Convertible bonds with detachable warrants

Convertible bonds of the Company are issued with detachable warrants. Where the convertible bonds can be converted to equity share capital at the option of the holder and the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, and where the

Notes to The Financial Statements—(Continued)

warrants issued by the Company will be settled by exchange of the warrants and fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, convertible bonds with detachable warrants are accounted for as compound financial instruments, which contain a liability component and an equity component. The early redemption options embedded to convertible bonds with detachable warrants are separately accounted for as derivative financial instruments in accordance with the accounting policy set out in note 2(g).

At initial recognition, the derivative financial instruments embedded to the convertible bonds with detachable warrants is measured at fair value. The liability component is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option and warrants. Any excess of proceeds over the amount initially recognized as liability component and derivative financial instruments is recognized as the equity component.

Transaction costs that relate to the issue of the convertible bonds with detachable warrants, are allocated to the liability component and equity component and derivative financial instruments in proportion to allocation of proceeds.

The portion of the transaction costs relating to the liability component and equity component is recognized initially as part of the liability and equity respectively. The portion relating to the derivative component is recognized immediately in profit or loss.

The liability component is subsequently carried at amortized cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognized in the capital reserve until either the bonds are converted or redeemed. The derivative financial instruments is subsequently remeasured in accordance with note 2(g).

If the bonds are converted, the respective capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the respective capital reserve is released directly to retained profits. If the warrants are exercised, the respective capital reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the respective capital reserve is released directly to retained profits.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), trade and other payable are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash

Notes to The Financial Statements—(Continued)

and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognized as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial (Cox, Ross, Rubinstein) model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Notes to The Financial Statements—(Continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

Notes to The Financial Statements—(Continued)

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) Other provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group and the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognized upon the signing of the sale and purchase agreement or the completion of the properties, whichever the later, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause is recognized when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under “Receipts in advance.”

Notes to The Financial Statements—(Continued)

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned. Revenue from operating leases excludes business tax or other sales related taxes.

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a cost plus contract is recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Interest income

Interest income is recognized as it accrues using the effective interest method.

(v) Dividend income

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

(vi) Government grants

Government grants are recognized in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Government grants that compensate the Group for expense incurred in a previous year is recognized as income of the year in which it becomes receivable.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized on profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

Notes to The Financial Statements—(Continued)

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*

Notes to The Financial Statements—(Continued)

- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKFRS 2, *Share-based payment — vesting conditions and cancellations*
- Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*
- HK(IFRIC) 15, *Agreements for the construction of real estate*
- HK(IFRIC) 16, *Hedges of a net investment in a foreign operation*

The amendments to HKAS 23, HKAS 27, HKFRS 2 and HKFRS 3 and Interpretations HK(IFRIC) 15 and HK(IFRIC) 16 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, explanation has been included in the financial statements which explains the basis of preparation of the information (see note 13).
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognized as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 27 about the fair value measurement of the Group's financial instruments, categorizing these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.
- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:
 - As a result of amendments to HKAS 40, *Investment property*, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably

Notes to The Financial Statements—(Continued)

measurable and the date of completion of the property. Any gain or loss will be recognized in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognized in profit or loss. The adoption of the new policy leads to an increase in net assets of the Group as at December 31, 2009 and profit attributable to equity shareholders of the Group for the year ended December 31, 2009 by RMB2,336,000, representing the increase in fair value of RMB3,115,000 net of related deferred tax of RMB779,000.

4 TURNOVER

The principal activities of the Group are property development, property leasing and construction.

Turnover of the Group for the year is analyzed as follows:

	2009	2008
	RMB'000	RMB'000
Property sales	2,659,942	3,000,993
Property leasing	22,084	19,393
Construction	57,805	206,610
	2,739,831	3,226,996

5 OTHER REVENUE AND NET INCOME

	2009	2008
	RMB'000	RMB'000
Other revenue		
Interest income	39,009	29,628
Dividend income from unlisted equity securities	1,163	1,124
Government subsidies	1,792	—
	41,964	30,752
	2009	2008
	RMB'000	RMB'000
Other net income		
Net gain on disposals of property, plant and equipment	16,012	172
Gain on disposal of a subsidiary	7,474	—
Net exchange (loss)/gain	(296)	20,041
Realized loss on trading securities	(275)	—
Compensation to contractors	(1,374)	(1,665)
	21,541	18,548

Notes to The Financial Statements—(Continued)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	2009	2008
	RMB'000	RMB'000
Interest on bank loans	99,706	77,233
Interest on other loans	37,203	16,897
Interest on convertible bonds (<i>note 12(b)</i>)	17,688	—
Interest on advances from customers (<i>note 26</i>)	8,022	15,901
Other ancillary borrowing costs	6,978	6,060
	169,597	116,091
Less: Borrowing costs capitalized *	(100,221)	(62,947)
	69,376	53,144
Net change in fair value of derivatives embedded to convertible bonds (<i>note 12(b)</i>)	(3,296)	—
	66,080	53,144

* Borrowing costs have been capitalized at a rate of 1.33% – 14.00% per annum (2008: 4.86% – 15.70% per annum).

(b) Staff costs:

	2009	2008
	RMB'000	RMB'000
Salaries, wages and other benefits	106,821	100,724
Including:		
Retirement scheme contributions	4,979	4,928
Equity settled share-based payment expenses (<i>note 28</i>)	8,343	6,604
	119,143	112,256

Employees of the Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group's subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also maintains a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK\$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

Notes to The Financial Statements—(Continued)

(c) *Other items:*

	2009	2008
	RMB'000	RMB'000
Depreciation and amortization	12,011	9,660
Impairment loss on other receivables	—	4,182
Impairment loss on property, plant and equipment (<i>note 14</i>)	5,440	—
Auditors' remuneration	3,534	3,400
Cost of properties sold	1,738,510	1,768,563
Operating lease charges in respect of properties	776	776
Rentals receivable less direct outgoings of RMB4,940,000 (2008: RMB315,000)	(17,144)	(19,078)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) *Taxation in the consolidated income statement represents:*

	2009	2008
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax	184,021	142,777
PRC Land Appreciation Tax	51,585	96,117
Withholding tax on dividends declared by the PRC foreign investment enterprise	—	22,500
	235,606	261,394
Deferred tax		
Revaluation of properties	283	(1,308)
Tax losses	—	47,677
Other temporary differences	(12,668)	(3,309)
	(12,385)	43,060
	223,221	304,454

- (i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.
- (ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.
- (iii) PRC Corporate Income Tax (“CIT”)

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 10% to 15% (2008: 10% to 15%) of their revenue in accordance with the authorized taxation method (核定徵收) pursuant to the applicable PRC tax regulations. The tax rate was 25% (2008: 25%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the audited taxation method (查賬徵收), were charged CIT at a rate of 25% (2008: 25%) on the estimated assessable profits for the year.

Notes to The Financial Statements—(Continued)

(iv) Land Appreciation Tax (“LAT”)

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain subsidiaries of the Group were subject to LAT which is calculated based on 1.5% to 3.5% (2008: 1.5% to 3.5%) of their revenue in accordance with the authorized taxation method.

(v) Withholding tax

A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of PRC foreign investment enterprises earned after January 1, 2008. During the year, the PRC foreign investment enterprise of the Group has not declared dividend in relation to the profits earned after January 1, 2008 and no withholding tax on the dividend was charged to the consolidated income statement for current year. In addition, the PRC foreign investment enterprise of the Group has no intention to declare dividend from its profits earned during the year. In this regard, no deferred tax liabilities in relation to withholding tax were recognized.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Profit before taxation	651,352	959,383
Tax on profit before taxation calculated at 25% (2008: 25%)	162,838	239,846
Difference in tax rates for certain subsidiaries	(4,267)	3,184
Tax effect of non-taxable revenue	(4,629)	(528)
Tax effect of non-deductible expenses	32,507	11,060
Tax effect of unused tax losses not recognized	12,110	10,004
Utilization of tax loss not recognized in prior years	(4,862)	—
Tax effect of adopting authorized taxation method	(9,165)	(53,700)
Withholding tax on dividends distributed by the PRC foreign investment enterprise	—	22,500
Land Appreciation Tax	51,585	96,117
Tax effect of Land Appreciation Tax	(12,896)	(24,029)
Income tax expense	<u>223,221</u>	<u>304,454</u>

Notes to The Financial Statements—(Continued)

8 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share- based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009						
<i>Executive directors</i>						
Wu Po Sum	—	2,863	11	220	1,781	4,875
Wang Tianye	—	1,833	11	1,974	701	4,519
Yan Yingchun	—	753	11	726	421	1,911
<i>Non-executive directors</i>						
Lim Ming Yan	88	—	—	—	701	789
Leow Juan Thong Jason	88	—	—	—	421	509
Wallis Wu (<i>alias Li Hua</i>)	229	—	11	18	—	258
Hu Yongmin (appointed on September 3, 2009)	—	—	—	—	—	—
<i>Independent non-executive directors</i>						
Cheung Shek Lun	211	—	—	—	—	211
Fang Fenglei (Resigned on December 18, 2009)	211	—	—	—	—	211
Wang Shi	246	—	—	—	—	246
Total	<u>1,073</u>	<u>5,449</u>	<u>44</u>	<u>2,938</u>	<u>4,025</u>	<u>13,529</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2008						
<i>Executive directors</i>						
Wu Po Sum	—	2,902	11	446	1,310	4,669
Wang Tianye	—	2,000	11	1,571	516	4,098
Yan Yingchun	—	627	11	268	310	1,216
<i>Non-executive directors</i>						
Lim Ming Yan	89	—	—	—	516	605
Leow Juan Thong Jason	89	—	—	—	310	399
Wallis Wu (<i>alias Li Hua</i>)	232	—	11	36	—	279
<i>Independent non-executive directors</i>						
Cheung Shek Lun	125	—	—	—	—	125
Fang Fenglei (Resigned on December 18, 2009)	125	—	—	—	—	125
Wang Shi	125	—	—	—	—	125
Total	<u>785</u>	<u>5,529</u>	<u>44</u>	<u>2,321</u>	<u>2,962</u>	<u>11,641</u>

Note: These represent the estimated value of share options granted to the directors under the Company's pre-IPO share option scheme. The value of these share option is measured according to the Group's accounting policies for share-based payment transactions as set out in 2(s)(ii).

Notes to The Financial Statements—(Continued)

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the current or prior years. No director has waived or agreed to waive any emoluments for the current or prior years.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2008: three) individuals are as follows:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,426	4,804
Discretionary bonuses	812	1,489
Share-based payments	631	216
Retirement scheme contributions	22	22
	<u>2,891</u>	<u>6,531</u>

The emoluments of these two (2008: three) individuals with the highest emoluments are within the following bands:

	<u>2009</u>	<u>2008</u>
	Number of Individuals	Number of Individuals
RMB1,000,001 to RMB1,500,000	2	1
RMB1,500,001 to RMB2,000,000	—	1
RMB3,000,001 to RMB3,500,000	—	1
	<u>—</u>	<u>—</u>

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB115,427,000 (2008: RMB209,761,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 30(c).

11 OTHER COMPREHENSIVE INCOME/(LOSS)

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	2,659	(11,727)
	<u>2,659</u>	<u>(11,727)</u>

There is no tax effect relating to the above component of other comprehensive income/(loss).

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2009 is based on the profit attributable to equity shareholders of the Company of RMB405,326,000 (2008: RMB653,301,000) and the

Notes to The Financial Statements—(Continued)

weighted average number of ordinary shares of 2,000,000,000 shares. The number of shares adopted in the calculation of basic earnings per share for 2008 represented the 2,000,000,000 ordinary shares in issue as at December 31, 2008 as if the shares were in issue throughout the entire year ended December 31, 2008.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2009 is based on the profit attributable to equity shareholder of the Company of RMB419,718,000 and the weighted average number of ordinary shares of 2,082,483,429 shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2009
	RMB'000
Profit attributable to equity shareholders	405,326
After tax effect of effective interest on the liability component of convertible bonds (<i>note 6(a)</i>)	17,688
After tax effect of gain recognized on derivatives embedded to convertible bonds (<i>note 6(a)</i>)	(3,296)
Profit attributable to equity shareholders (diluted)	419,718

(ii) Weighted average number of ordinary shares (diluted)

	2009
	'000
Weighted average number of ordinary shares at December 31,	2,000,000
Effect of conversion of convertible bonds	82,483
Weighted average number of ordinary shares (diluted) at December 31,	2,082,483

The Company's pre-IPO share options as at December 31, 2009 and 2008 and warrants as at December 31, 2009 do not give rise to any dilution effect to the earnings per share.

13 SEGMENT REPORTING

Services from which reportable segments derive their revenue

In prior years, segment information reported externally was analyzed on the basis of the types of services provided by the Group (i.e. property development, property leasing and construction contracts). However, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8 and believes that this presentation provides more relevant information than that previously shown under HKAS 14.

Turnover from major services

The Group's turnover from its major services are set out in note 4 to the financial statements.

Notes to The Financial Statements—(Continued)

Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan Province in the PRC.

Information about major customers

Included in the turnover for the year is an amount of RMB93,978,000 (2008: RMB296,173,000) which arose from the Group's largest customer.

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Interests in leasehold land held for own use under operating lease	Buildings	Construction in progress	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2009	46,738	125,048	59,361	14,975	14,017	260,139
Additions	—	—	49,619	8,170	2,462	60,251
Disposals	—	(9,697)	—	(1,632)	(871)	(12,200)
At December 31, 2009	<u>46,738</u>	<u>115,351</u>	<u>108,980</u>	<u>21,513</u>	<u>15,608</u>	<u>308,190</u>
Accumulated depreciation and amortization:						
At January 1, 2009	3,728	30,629	—	6,632	7,941	48,930
Charge for the year	894	5,579	—	3,324	2,214	12,011
Written back on disposals	—	(485)	—	(1,144)	(725)	(2,354)
Impairment loss (<i>note 6(c)</i>)	—	5,440	—	—	—	5,440
At December 31, 2009	<u>4,622</u>	<u>41,163</u>	<u>—</u>	<u>8,812</u>	<u>9,430</u>	<u>64,027</u>
Net book value:						
At December 31, 2009	<u>42,116</u>	<u>74,188</u>	<u>108,980</u>	<u>12,701</u>	<u>6,178</u>	<u>244,163</u>

Notes to The Financial Statements—(Continued)

	Interests in leasehold land held for own use under operating lease	Buildings	Construction in progress	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2008	19,226	105,647	47,632	10,158	12,293	194,956
Additions	27,512	—	11,729	4,729	1,943	45,913
Additions through acquisitions of subsidiaries	—	—	—	354	306	660
Transfer from investment properties under development (<i>Note 15</i>)	—	19,401	—	—	—	19,401
Disposals	—	—	—	(266)	(525)	(791)
At December 31, 2008	<u>46,738</u>	<u>125,048</u>	<u>59,361</u>	<u>14,975</u>	<u>14,017</u>	<u>260,139</u>
Accumulated depreciation and amortization:						
At January 1, 2008	2,835	25,648	—	4,894	6,495	39,872
Charge for the year	893	4,981	—	1,934	1,852	9,660
Written back on disposals	—	—	—	(196)	(406)	(602)
At December 31, 2008	<u>3,728</u>	<u>30,629</u>	<u>—</u>	<u>6,632</u>	<u>7,941</u>	<u>48,930</u>
Net book value:						
At December 31, 2008	<u>43,010</u>	<u>94,419</u>	<u>59,361</u>	<u>8,343</u>	<u>6,076</u>	<u>211,209</u>

The analysis of carrying value of leasehold land is set out as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
— long leases	<u>25,086</u>	35,654
— medium-term leases	<u>17,030</u>	7,356
	<u>42,116</u>	<u>43,010</u>

Notes to The Financial Statements—(Continued)

15 INVESTMENT PROPERTIES

	Investment properties		
	Completed	Under development	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2008	246,600	23,683	270,283
Additions	—	5,102	5,102
Decrease in fair value	(1,400)	—	(1,400)
Transfer to property, plant and equipment (<i>note 14</i>)	—	(19,401)	(19,401)
At December 31, 2008	<u>245,200</u>	<u>9,384</u>	<u>254,584</u>
Representing:			
Cost	—	9,384	9,384
Valuation — 2008	<u>245,200</u>	<u>—</u>	<u>245,200</u>
	<u>245,200</u>	<u>9,384</u>	<u>254,584</u>
At January 1, 2009	245,200	9,384	254,584
Additions	—	401	401
(Decrease)/increase in fair value	(654)	3,115	2,461
Transfer from properties for sales	<u>6,954</u>	<u>—</u>	<u>6,954</u>
At December 31, 2009	<u>251,500</u>	<u>12,900</u>	<u>264,400</u>
Representing:			
Valuation — 2009	<u>251,500</u>	<u>12,900</u>	<u>264,400</u>

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at December 31, 2009 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis. The completed investment properties are valued by reference to net income with allowance for reversionary income potential. For investment properties under development, their valuations are conducted by reference to the residual value approach taking into account comparable market transactions and any future construction costs required for the completion of the development.

(b) The analysis of fair value of investment properties is set out as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
In PRC		
— long leases	<u>176,300</u>	165,684
— medium-term leases	<u>88,100</u>	88,900
	<u>264,400</u>	<u>254,584</u>

Notes to The Financial Statements—(Continued)

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to twelve years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Within 1 year	1,500	1,500
After 1 year but within 5 years	6,264	6,180
After 5 years	1,863	3,516
	9,627	11,196

16 INTEREST IN SUBSIDIARIES

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	135,135	135,135
Amounts due from subsidiaries	1,853,864	1,298,283
	1,988,999	1,433,418

Amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment but are not expected to be settled within one year.

Notes to The Financial Statements—(Continued)

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Anyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Wholly owned foreign enterprise
Artstar Investments Limited (“Artstar”)	The British Virgin Islands and Hong Kong	US\$10,000	—	95%	Investment holding	Private company
Central China Dahome Properties Service (Kaifeng) Company Limited	Henan, the PRC	RMB500,000	—	60%	Property development	Limited liability company
Central China Forest Peninsula (Henan) Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Central China Forest Peninsula (Kaifeng) Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	60%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Hotel Management	Limited liability company
Central China New Land (Henan) Real Estate Company Limited	Henan, the PRC	RMB10,010,000	—	85%	Property development	Limited liability company
Central China Properties Development Limited	Hong Kong	HK\$1	—	100%	Inactive	Private company
Central China Premier Service (Zhengzhou) Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Wine trading	Limited liability company
Central China Real Estate (Luoyang) Company Limited (“CCRE Luoyang”)	Henan, the PRC	RMB341,020,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited	Henan, the PRC	RMB1,700,000,000	—	100%	Property development	Wholly owned foreign enterprise

Notes to The Financial Statements—(Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Central China Real Estate He Bi Co., Ltd.	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Holdings Limited	The British Virgin Islands and Hong Kong	US\$13,289	—	100%	Investments holding	Private company
Central China Real Estate Investments Limited	Hong Kong	HK\$1	—	100%	Investments holding	Private company
Central China Triumph Real Estate (Luoyang) Company Limited	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company
Construction Premier Service Limited	Hong Kong	HK\$1	—	100%	Inactive	Private company
Country Star Holdings Limited (“Country Star”)	Hong Kong	HK\$1	—	95%	Investments holding	Private company
Henan Central China Commercial Properties Management Company Limited	Henan, the PRC	RMB80,000,000	—	100%	Consulting property investment, leasing and management	Limited liability company
Henan Central China Heating Supply Company Limited	Henan, the PRC	RMB15,000,000	—	100%	Provision of heating and hot water	Limited liability company
Henan Central China Real Estate Company Limited	Henan, the PRC	RMB200,000,000	—	100%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited	Henan, the PRC	RMB120,100,000	—	96.68%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited (“CCRE St. Andrews”)	Henan, the PRC	RMB8,000,000	—	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited	Henan, the PRC	RMB5,000,000	—	60%	Property development	Limited liability company
Henan United New Town Real Estate Company Limited	Henan, the PRC	RMB320,000,000	—	100%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited (“CCRE Zhongyuan”)	Henan, the PRC	RMB150,000,000	—	100%	Property development	Limited liability company

Notes to The Financial Statements—(Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Jiaozuo Central China Real Estate Company Limited	Henan, the PRC	RMB35,000,000	—	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Joy Ascend Holdings Limited (“Joy Ascend”)	The British Virgin Islands and Hong Kong	US\$14,618	100%	—	Investments holding	Private company
Kaifeng Central China Dahong Real Estate Company Limited	Henan, the PRC	RMB150,000,000	—	60%	Property development	Limited liability company
Kaifeng Central China Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	80%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Wholly owned foreign enterprise
Luohe Central China Changjian Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	75%	Property development	Limited liability company
Nanyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Xinxiang Central China Real Estate Company Limited	Henan, the PRC	RMB44,900,000	—	100%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited (“CCRE Xinyang”) (note (b))	Henan, the PRC	RMB30,000,000	—	50%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited	Henan, the PRC	RMB58,000,000	—	60%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited	Henan, the PRC	RMB57,000,000	—	100%	Property development	Wholly owned foreign enterprise
Yuzhou New Plaza Construction & Development Company Limited	Henan, the PRC	RMB10,000,000	—	75%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company

Notes to The Financial Statements—(Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Zhongya Real Estate Development (Luoyang) Company Limited (“Luoyang Zhongya”)	Henan, the PRC	RMB59,690,720	—	95%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Company Limited (“CCRE Zhumadian”) (note (a))	Henan, the PRC	RMB37,577,000	—	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China Real Estate Company Limited	Henan, the PRC	RMB28,000,000	—	100%	Property development	Wholly owned foreign enterprise
Puyang Central China Real Estate Company Limited	Henan, the PRC	RMB40,500,000	—	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited	Henan, the PRC	RMB38,000,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Jianye Huarun Zhiye Company Limited	Henan, the PRC	RMB100,000,000	—	65%	Property development	Limited liability company
Universal Food City Development (Henan) Co., Ltd.	Henan, the PRC	RMB3,000,000	—	100%	Property development	Limited liability company

Notes:

- (a) 48.01% interests in CCRE Zhumadian is registered in the name of a trust company pursuant to a trust arrangement (see note 24(b)(i)).
- (b) CCRE Xinyang is regarded as a subsidiary as the Group controls the board of directors of CCRE Xinyang pursuant to its articles of association.
- (c) The English names of the PRC companies referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

17 INTEREST IN AN ASSOCIATE

	The Group	
	2009	2008
	RMB'000	RMB'000
Share of net assets	<u>19,471</u>	<u>22,302</u>

Notes to The Financial Statements—(Continued)

Details of the Group's interest in an associate are set out as follows:

Name of company	Place of incorporation and operation	Registered capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
St. Andrews Golf Club (Zhengzhou) Company Limited	Henan, the PRC	RMB69,000,000	—	40%	Provision of golf facilities	Wholly owned foreign enterprise

Summary financial information on an associate

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Loss RMB'000
2009					
100 per cent	83,417	34,740	48,677	6,678	(7,077)
Group's effective interest	<u>33,367</u>	<u>13,896</u>	<u>19,471</u>	<u>2,671</u>	<u>(2,831)</u>
2008					
100 per cent	67,930	12,176	55,754	—	(7,458)
Group's effective interest	<u>27,172</u>	<u>4,870</u>	<u>22,302</u>	<u>—</u>	<u>(2,983)</u>

18 OTHER FINANCIAL ASSETS

	The Group	
	2009 RMB'000	2008 RMB'000
Unlisted equity securities, at cost — in the PRC	<u>15,800</u>	<u>15,400</u>

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at December 31, 2009 and 2008.

19 PROPERTIES FOR SALE

	The Group	
	2009 RMB'000	2008 RMB'000
Properties held for future development and under development for sale	4,104,937	3,688,915
Completed properties held for sale	<u>1,142,509</u>	1,114,922
	<u>5,247,446</u>	<u>4,803,837</u>

(a) The analysis of carrying value of leasehold land included in properties held for future development and under development for sale and completed properties held for sale are set out as follows:

	2009 RMB'000	2008 RMB'000
	In PRC	
— long leases	2,785,515	2,692,963
— medium-term leases	<u>15,816</u>	18,023
	<u>2,801,331</u>	<u>2,710,986</u>

Notes to The Financial Statements—(Continued)

- (b) The amount of properties held for future development and under development for sale expected to be recovered after more than one year is analyzed as follows:

	2009	2008
	RMB'000	RMB'000
Properties held for future development and under development for sale	2,362,234	2,379,237

- (c) The analysis of the amount of properties for sale recognized as an expense is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Carrying amount of properties for sale sold	1,738,510	1,754,505
Write down of properties for sale	—	14,058
	1,738,510	1,768,563

- (d) Certain portion of the Group's properties held for future development and under development for sale were pledged to banks as securities for the Group's bank and other loans. Details are set out in notes 23 and 24.

- (e) The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for an initial period of 20 years. The lease does not include any contingent rental. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2009	2008
	RMB'000	RMB'000
Within 1 year	9,240	8,660
After 1 year to 5 years	35,826	35,386
After 5 years	101,685	124,921
	146,751	168,967

The Directors confirm that the Group intends to sell the properties together with the respective leases.

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	290	300	—	—
Trade receivables (<i>Note (a)</i>)	2,950	5,082	—	—
Other receivables (<i>Note (b)</i>)	142,647	120,734	—	—
Amounts due from related companies (<i>Note (c)</i>)	112,637	89,226	—	—
Gross amount due from customers for contract work (<i>Note (d)</i>)	—	7,761	—	—
Derivative financial instruments (<i>Note 27</i>)	17,101	—	17,101	—
	275,625	223,103	17,101	—

Notes to The Financial Statements—(Continued)

Notes:

- (a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Current or less than 1 month overdue	443	813
1 to 3 months overdue	130	952
3 to 6 months overdue	250	577
6 months to 1 year overdue	786	695
More than 1 year overdue	1,341	2,045
	2,950	5,082

The Group's credit policy is set out in note 31(b).

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances, except for the mortgage loans receivable as set out in note 33.

- (b) At December 31, 2009, the Group's other receivables of RMB4,182,000 (2008: RMB4,182,000) was individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that these receivables are not expected to be recovered. Consequently, specific allowance for doubtful debts of RMB4,182,000 (2008: RMB4,182,000) was recognized.
- (c) The amounts due from related companies of the Group included a balance of RMB112,347,000 (2008: RMB88,851,000) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company (see note 34). The amount is unsecured, interest free and repayable on demand. The remaining amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.
- (d) The aggregate amount of costs incurred plus recognized profits less recognized losses to date, included in the gross amount due from/to customers for contract work at December 31, 2009, is RMB436,048,000 (2008: RMB347,643,000).

21 DEPOSITS AND PREPAYMENTS

At December 31, 2009, the balance included deposits and prepayments for leasehold land of RMB833,550,000 (2008: RMB209,679,000).

22 RESTRICTED BANK DEPOSITS

	The Group	
	2009	2008
	RMB'000	RMB'000
Guarantee deposits in respect of:		
— mortgage loans related to property sale	181,985	97,009
— bills payable	265,004	212,788
— bank loans (<i>note 23(b)</i>)	60,000	100,000
	506,989	409,797

Notes to The Financial Statements—(Continued)

23 BANK LOANS

(a) At December 31, 2009, the bank loans were repayable as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	982,154	488,790	68,222	—
After 1 year but within 2 years	646,226	424,417	—	—
After 2 years but within 5 years	144,436	20,000	—	—
	790,662	444,417	—	—
	1,772,816	933,207	68,222	—

(b) At December 31, 2009, the bank loans were secured as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
— secured	1,656,594	759,314	—	—
— unsecured	116,222	173,893	68,222	—
	1,772,816	933,207	68,222	—

At December 31, 2009, assets of the Group secured against bank loans are analyzed as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Properties held for future development and under development for sale	1,852,163	739,310
Restricted bank deposits (note 22)	60,000	100,000
	1,912,163	839,310

(c) The effective interest rates of bank loans of the Group at December 31, 2009 were ranged from 5.31% – 9.18% (2008: 4.86% – 11.00%) per annum.

24 OTHER LOANS

(a) At December 31, 2009, other loans were repayable as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Within 1 year	95,640	123,950
After 1 year but within 2 years	119,010	36,790
After 2 years but within 5 years	253,870	—
	372,880	36,790
	468,520	160,740

Notes to The Financial Statements—(Continued)

(b) *At December 31, 2009, the other loans were secured as follows:*

	The Group	
	2009	2008
	RMB'000	RMB'000
Other loans		
— secured (<i>notes (i) and (ii)</i>)	391,880	120,740
— unsecured	76,640	40,000
	468,520	160,740

Notes:

(i) Included in secured other loans is a total amount of RMB7,640,000 (2008: RMB80,740,000) in relation to the trust arrangements with a trust company. Under these trust arrangements, the trust company injected paid-in capital to certain subsidiaries and the legal titles of these shares were transferred to the trust company. The Group committed to repurchase while the trust company has the obligations to sell such shares within pre-set periods. The trust company does not entitle to any profit distributions from these subsidiaries but receives fixed interest income periodically or at the end of the trust period. Such paid-in capital is classified as other loans in the financial statements.

At December 31, 2009, 48.01% (2008: 48.01%) interests in CCRE Zhumadian was registered under the name of the trust company. The 74.56% interests in CCRE Luoyang were legally transferred back to the Group upon expiry of the trust management.

(ii) Secured other loans were secured by assets of the Group as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Properties held for future development and under development for sales	250,439	—

Apart from the above, secured other loans with carrying amount of RMB40,000,000 (2008: RMB40,000,000) were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB141,262,000 (2008: RMB167,325,000) at December 31, 2009.

(iii) The effective interest rates of other loans of the Group at December 31, 2009 were ranged from 6.30% – 14.00% (2008: 6.30% – 15.70%) per annum.

25 TRADE AND OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	265,004	180,433	—	—
Trade payables (<i>Note (a)</i>)	806,226	675,566	—	—
Other payables and accruals	688,491	702,625	—	—
Amounts due to related companies (<i>Note (b)</i>)	32	32	—	—
Amounts due to minority interests (<i>Note (b)</i>)	158,437	382,267	—	—
Gross amount due to customers for contract work (<i>Note 20(d)</i>) . . .	36,380	—	—	—
Amounts due to subsidiaries (<i>Note (b)</i>)	—	—	—	3,775
Derivative financial instruments (<i>Note 27</i>)	85,460	—	85,460	—
	2,040,030	1,940,923	85,460	3,775

Notes to The Financial Statements—(Continued)

At December 31, 2009, included in trade and other payables and accruals are retention payable of RMB107,996,000 (2008: RMB89,997,000) which are expected to be settled after more than one year.

Notes:

(a) An aging analysis of trade payables are set out as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Due within 1 month or on demand	698,230	585,569
Due after 1 year	107,996	89,997
	806,226	675,566

(b) Amounts due to related companies and minority interests of the Group and amounts due to subsidiaries of the Company are unsecured, interest free and have no fixed terms of repayment.

26 RECEIPTS IN ADVANCE

Receipts in advance represent sale proceeds received from buyers in connection with pre-sale of properties.

Under certain agreements with buyers of the properties of the Group, the Group agreed to lease-back the respective properties with put options from the buyers for a specific period, typically three years from the date of signing the sale agreements. Within one month after the expiry of the lease-back period, the buyers have the option to sell back the respective properties to the Group at agreed amounts. Accordingly, the related sales would not be recognized in the consolidated income statement until the expiry of the repurchase period. The annual rent for the lease-back properties were 7%-8% of the relevant purchase price paid by the buyers and the related expenses were recorded as finance costs in the consolidated income statement (see note 6(a)). At December 31, 2009, receipts in advance in relation to these sales amounted to RMB61,512,000 (2008: RMB110,176,000). During the year, upon the expiry of the repurchase period, total sales of RMB55,327,000 (2008: RMB159,403,000) were recognized.

27 CONVERTIBLE BONDS

On August 31, 2009, the Company issued unsecured convertible bonds with principal amount of HK\$765,000,000 due 2014 (the “convertible bonds”) and 76,097,561 warrants (the “warrants”). The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is August 31, 2014. The convertible bonds can be converted to shares of the Company at HK\$3.1 per share, subject to anti-dilutive adjustment, from February 28, 2010 to August 31, 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to August 31, 2014 at the exercise price of HK\$4.1 per share, subject to anti-dilutive adjustment.

Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments in accordance with the accounting policy set out in note 2(o) to the financial statements.

In addition to the above, the Company may early redeem all the convertible bonds from August 31, 2012 to August 31, 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of

Notes to The Financial Statements—(Continued)

the conversion price of HK\$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from August 31, 2012 to August 31, 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for at fair value at the initial recognition date and December 31, 2009 as derivative financial instruments in accordance with the accounting policy set out in note 2(g) to the financial statements.

The movements of different components of the convertible bonds/warrants are set out below:

	Liability component of the convertible bonds	Redemption call option	Redemption put option	Equity component of the convertible bonds	Warrant reserve	Total
	RMB'000 (Note 27(a))	RMB'000 (Note 20, 27(b))	RMB'000 (Note 25, 27(c))	RMB'000 (Note 27(d))	RMB'000 (Note 27(d))	RMB'000
Proceeds from issuance of the convertible bonds	546,305	(15,897)	87,768	43,298	11,943	673,417
Transaction costs	<u>(1,661)</u>	<u>48</u>	<u>(267)</u>	<u>(132)</u>	<u>(37)</u>	<u>(2,049)</u>
Net proceeds	544,644	(15,849)	87,501	43,166	11,906	671,368
Interest and transaction costs amortized	6,650	—	—	—	—	6,650
Change in fair value (Note 6(a))	—	(1,253)	(2,043)	—	—	(3,296)
Exchange difference	<u>(6)</u>	<u>1</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>(3)</u>
At December 31, 2009	<u>551,288</u>	<u>(17,101)</u>	<u>85,460</u>	<u>43,166</u>	<u>11,906</u>	<u>674,719</u>

(a) Liability component of convertible bonds represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 9.6% per annum for the year ended December 31, 2009.

At December 31, 2009, the liability component of convertible bonds was repayable as follows:

	The Group and the Company	
	2009	2008
	RMB'000	RMB'000
After two years but within five years	<u>551,288</u>	<u>—</u>

(b) Redemption call option represents the fair value of the Company's option to early redeem all of the convertible bonds.

(c) Redemption put option represents the fair value of the options of the holders of the convertible bonds to early redeem all of the convertible bonds.

(d) Equity component of convertible bonds and warrant reserve represent the excess of proceeds of the convertible bonds over the amount initially recognized as the liability component of convertible bonds and the redemption call and put options.

Notes to The Financial Statements—(Continued)

The fair value of the liability component of convertible bonds at its initial recognition date and the fair value of the redemption call and put options at their initial recognition date and at December 31, 2009 were measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data, which is categorized into Level 2 valuation under HKFRS 7, Financial Instruments: Disclosures. The fair value of the liability component of convertible bonds and the redemption call and put options were determined by an independent valuer, Savills Valuation and Professional Services Limited.

The assumptions applied in determining the fair value of the liability component of convertible bonds and the redemption call and put options at their initial recognition date (August 31, 2009) and the fair value of the redemption call and put options at December 31, 2009 using Binomial (Coz, Ross, Rubinstein) option pricing model are set out as follows:

	At August 31, 2009	At December 31, 2009
Share price (HK\$)	1.99	2.22
Expected volatility	66%	62%
Expected dividends	5%	5%
Risk-free interest rate	1.75%	1.93%
Option life	5 years	4.67 years
Effective interest rate	10%	9%

28 EQUITY SETTLED SHARE-BASED TRANSACTION

On May 14, 2008, the Company conditionally granted certain Pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle five of the Company's directors and ninety employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK\$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange. Under the Pre-IPO Share Option Scheme, no Pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable within the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(a) *The number and the weighted average exercise price of share options are as follows:*

	2009		2008	
	Exercise price HK\$	Number of options	Exercise price HK\$	Number of options
Outstanding at January 1	2.75	31,400,000	—	—
Granted during the year	N/A	—	2.75	32,000,000
Lapsed during the year	2.75	(1,350,000)	2.75	(600,000)
Outstanding at December 31	2.75	30,050,000	2.75	31,400,000
Exercisable at December 31	2.75	6,010,000	2.75	—

The options outstanding at December 31, 2009 had an exercise price of HK\$2.75 (2008: HK\$2.75) and a weighted average remaining contractual life of 1.7 years (2008: 2.7 years).

Notes to The Financial Statements—(Continued)

(b) Fair value of share options granted in 2008 and assumptions

In 2008, the fair value of services received in return for share options granted was measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on a binomial (Coz, Ross, Rubinstein) option pricing model. The contractual life of the share option was used as an input into this model. Expectation of early exercise was incorporated into the binomial (Coz, Ross, Rubinstein) option pricing model.

Fair value of share options and assumption

Fair value at measurement date (HK\$)	0.8
Share price (HK\$)	2.75
Exercise price (HK\$)	2.75
Expected volatility	50%
Option life	1 year from different vesting periods
Expected dividends	4%
Risk-free interest rate	1.7% – 2.3%

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group			
	PRC Corporate Income Tax	PRC Land Appreciation Tax	Withholding tax	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2008	(610)	18,542	—	17,932
Charged to the consolidated income statement (note 7(a))	142,777	96,117	22,500	261,394
Acquisition of a subsidiary	—	(1,664)	—	(1,664)
Tax paid	(112,427)	(85,913)	—	(198,340)
At December 31, 2008	<u>29,740</u>	<u>27,082</u>	<u>22,500</u>	<u>79,322</u>
At January 1, 2009	29,740	27,082	22,500	79,322
Charged to the consolidated income statement (note 7(a)) ...	184,021	51,585	—	235,606
Tax paid	(120,199)	(74,799)	(5,263)	(200,261)
At December 31, 2009	<u>93,562</u>	<u>3,868</u>	<u>17,237</u>	<u>114,667</u>

Notes to The Financial Statements—(Continued)

	2009	2008
	RMB'000	RMB'000
Representing:		
Tax payable	157,141	106,842
Prepaid tax	(42,474)	(27,520)
	114,667	79,322

(b) The components of deferred tax assets/(liabilities) recognized in the consolidated balance sheet and the movements during the year are as follows:

	The Group			
	Revaluation of properties	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2008	(64,754)	47,677	—	(17,077)
Credited/(charged) to the consolidated income statement (note 7(a))	1,308	(47,677)	3,309	(43,060)
At December 31, 2008	(63,446)	—	3,309	(60,137)
At January 1, 2009	(63,446)	—	3,309	(60,137)
(Charged)/credited to the consolidated income statement (note 7(a))	(283)	—	12,668	12,385
Exchange difference	—	—	3	3
At December 31, 2009	(63,729)	—	15,980	(47,749)

	2009	2008
	RMB'000	RMB'000
Representing:		
Deferred tax assets	19,294	3,309
Deferred tax liabilities	(67,043)	(63,446)
	(47,749)	(60,137)

(c) Deferred tax assets not recognized

The Company has not recognized deferred tax assets in respect of cumulative tax losses of RMB98,959,000 (2008: RMB67,835,000) at December 31, 2009, as it is not probable that future taxable profits against which losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within 5 years.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

The share capital at January 1, 2008 represented the aggregate of share capital of Joy Ascend and the Company.

Pursuant to the Reorganization on May 14, 2008, the Company allotted and issued, in each case credited as fully paid, a total of 1,499,999,999 ordinary shares as to 944,246,819 ordinary shares to Joy Bright Investments Limited, as to 13,647,555 ordinary shares to Super Joy International Limited and as to 542,105,625 ordinary shares to CapitaLand LF (Cayman) Holdings Co. Ltd, and credited as fully paid at par the initial one subscriber share already allotted to Joy Bright Investments Limited, in consideration for the acquisition of each of their respective shareholding interests in Joy Ascend.

Notes to The Financial Statements—(Continued)

On June 6, 2008, the Company issued 500,000,000 shares with par value of HK\$0.10 each at a price of HK\$2.75 per share by way of a global initial public offering to Hong Kong and overseas investors upon the Listing. The Group raised approximately HK\$1,259,862,000 (equivalent to RMB1,121,322,000) in total net of related expenses from the share offer.

The share capital at December 31, 2009 is as follows:

	2009		2008	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorized:				
Ordinary shares of HK\$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each	2,000,000	200,000	2,000,000	200,000
RMB equivalent (<i>RMB'000</i>)		179,637		179,637

(b) Reserves

(i) Share premium

Share premium at January 1, 2008 represented share premium of Joy Ascend while share premium at December 31, 2008 and 2009 represented share premium of the Company (see note 30(a)).

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from minority interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

Notes to The Financial Statements—(Continued)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the Pre-IPO share option scheme as set out in note 28.

(vi) Distributability of reserves

At December 31, 2009, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2009 was RMB131,354,000 (2008: RMB209,761,000), excluding the share premium as disclosed in note 30(b)(i) above. After the balance sheet date, the directors proposed a final dividend of HK\$6.8 cents (equivalent to RMB6 cents) per ordinary share (2008: HK\$11 cents (equivalent to RMB9.69 cents) per ordinary share), amounting to RMB120,000,000 (2008: RMB193,834,000). This dividend has not been recognized as a liability at the balance sheet date.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

Notes to The Financial Statements—(Continued)

(vii) Reserves of the Company

	Note	Share premium RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Equity component of convertible bonds RMB'000	Warrant reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at January 1, 2008		—	—	—	—	—	—	—
Changes in equity for 2008								
Issue of new shares	30(a)	1,076,820	—	—	—	—	—	1,076,820
Equity settled share-based payment	30(b)(v)	—	—	6,604	—	—	—	6,604
Total comprehensive income for the year		<u>—</u>	<u>(6,587)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>209,761</u>	<u>203,174</u>
Balance at December 31, 2008		<u>1,076,820</u>	<u>(6,587)</u>	<u>6,604</u>	<u>—</u>	<u>—</u>	<u>209,761</u>	<u>1,286,598</u>
Balance at January 1, 2009		1,076,820	(6,587)	6,604	—	—	209,761	1,286,598
Changes in equity for 2009								
Dividends approved in respect of the previous year	30(c)(iii)	—	—	—	—	—	(193,834)	(193,834)
Issue of convertible bonds with warrants	27	—	—	—	43,166	11,906	—	55,072
Equity settled share-based payment	30(b)(v)	—	—	8,343	—	—	—	8,343
Total comprehensive income for the year		<u>—</u>	<u>(5,804)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>115,427</u>	<u>109,623</u>
At December 31, 2009		<u>1,076,820</u>	<u>(12,391)</u>	<u>14,947</u>	<u>43,166</u>	<u>11,906</u>	<u>131,354</u>	<u>1,265,802</u>

(c) Dividends

(i) Dividend declared and paid prior to the Listing

	<u>2009</u> RMB'000	<u>2008</u> RMB'000
Dividends declared and paid prior to the Listing	<u>—</u>	<u>152,000</u>

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

Dividends declared prior to the Listing presented in 2008 represent dividends declared by subsidiaries of the Company to their then shareholders prior to the Reorganization. The dividend rates and number of shares ranking for the dividends declared and paid prior to the Listing are not presented as such information is not meaningful having regard to the purpose of these financial statements.

Notes to The Financial Statements—(Continued)

(ii) Dividends payable to equity shareholders of the Company attributable to the year

	2009	2008
	RMB'000	RMB'000
Final dividend proposed after the balance sheet date of HK\$6.8 cents (equivalent to RMB6 cents) per ordinary share (2008: HK\$11 cents (equivalent to RMB9.6917 cents per ordinary share))	<u>120,000</u>	<u>193,834</u>

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

(iii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2009	2008
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$11 cents (equivalent to RMB9.6917 cents) per ordinary share (2008: Nil)	<u>193,834</u>	<u>—</u>

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by equity attributable to the shareholders of the Company. Net debt is calculated as total bank and other loans and Convertible Bonds less cash and cash equivalents and restricted bank deposits secured against bank loans.

Notes to The Financial Statements—(Continued)

The gearing ratio at December 31, 2009 and 2008 was as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Current liabilities		
— Bank loans	982,154	488,790
— Other loans	95,640	123,950
	1,077,794	612,740
Non-current liabilities		
— Bank loans	790,662	444,417
— Other loans	372,880	36,790
— Convertible bonds	551,288	—
	1,714,830	481,207
Total debt	2,792,624	1,093,947
Less: Cash and cash equivalents	(2,364,987)	(927,721)
Restricted bank deposits secured against bank loans	(60,000)	(100,000)
Net debt	367,637	66,226
Total equity attributable to equity shareholders of the Company	3,124,357	2,940,132
Gearing ratio	11.8%	2.3%

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, other loans and convertible bonds disclosed in notes 23, 24 and 27 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

At December 31, 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit and total equity by approximately RMB3,086,000 (2008: RMB6,044,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2008.

(b) Credit risk

In respect of trade receivables of mortgage sales, no credit terms will be granted to the purchasers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such purchasers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

Notes to The Financial Statements—(Continued)

If there is default in payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the installment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

	2009				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	1,772,816	1,863,059	1,046,175	669,180	147,704
Other loans	468,520	549,339	126,381	157,454	265,504
Convertible bonds	551,288	827,282	32,997	32,997	761,288
Trade and other payables and accruals	2,040,030	2,040,030	1,932,034	36,304	71,692
Tax payable	157,141	157,141	157,141	—	—
	<u>4,989,795</u>	<u>5,436,851</u>	<u>3,294,728</u>	<u>895,935</u>	<u>1,246,188</u>

Notes to The Financial Statements—(Continued)

	2008				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	933,207	1,001,546	541,388	439,708	20,450
Other loans	160,740	170,711	133,013	37,698	—
Trade and other payables and accruals	1,940,923	1,940,923	1,850,926	37,781	52,216
Tax payable	106,842	106,842	106,842	—	—
	<u>3,141,712</u>	<u>3,220,022</u>	<u>2,632,169</u>	<u>515,187</u>	<u>72,666</u>

(d) Foreign exchange risk

The Group is exposed to currency risk primarily through bank deposits and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars and United States Dollars.

The following table details the Group's exposure at December 31, 2009 to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group			
	2009		2008	
	United States Dollars	Hong Kong Dollars	United States Dollars	Hong Kong Dollars
	'000	'000	'000	'000
Cash and cash equivalents	145	2,753	147	72
Bank loans	—	(68,043)	—	—
Gross exposure arising from recognized assets and liabilities	145	(65,290)	147	72
Notional amount of forward exchange contract	—	68,043	—	—
Overall net exposure	<u>145</u>	<u>2,753</u>	<u>147</u>	<u>72</u>

A reasonably possible change of 5% (2008: 5%) in the foreign exchange rate of Hong Kong Dollars and United States Dollars against RMB would not have a material impact on the Group's profit and total equity.

(e) Fair value

The methods and assumptions used in estimating the fair value of convertible bonds and the embedded redemption call and put options are set out in note 27.

Unlisted investments for which their fair values cannot be reliably measured are stated at cost less impairment losses. The fair values of the other financial assets and liabilities are considered to approximate their carrying amounts.

Notes to The Financial Statements—(Continued)

32 COMMITMENTS

(a) *Capital commitments outstanding at December 31, 2009 not provided for in the financial statements are as follows:*

	2009	2008
	RMB'000	RMB'000
Authorized but not contracted for	6,690,626	7,955,669
Contracted but not provided for	1,758,903	1,695,217
	8,449,529	9,650,886

Capital commitments mainly related to land and development costs for the Group's properties under development and investment in subsidiaries.

(b) *Commitments for operating leases*

At December 31, 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009	2008
	RMB'000	RMB'000
Within 1 year	655	772
After 1 year but within 5 years	1,200	1,618
After 5 years	—	662
	1,855	3,052

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

33 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the purchasers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at December 31, 2009 is as follows:

	2009	2008
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,472,712	1,690,351

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group has not applied for individual building ownership certificates for these purchasers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognized any deferred income in respect of these

Notes to The Financial Statements—(Continued)

guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

34 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, major related party transactions entered by the Group are as follows:

	Note	2009	2008
		RMB'000	RMB'000
Sales of properties	(a)	93,978	296,173
Rental expenses	(b)	461	461
Interest expenses	(c)	<u>7,366</u>	<u>—</u>

(a) During the year, the Group sold commercial properties at a consideration of RMB93,978,000 (2008: RMB296,173,000) to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company. The unsettled amount at December 31, 2009 amounted to RMB112,347,000 (2008: RMB88,851,000) (note 20(c)). The outstanding amount is unsecured, interest free and recoverable on demand.

(b) The amount represented rental expenses for the office of the Group paid to a related company, in which Mr Wu Po Sum has significant interest.

(c) The amount represented interest expenses in relation to an advance from minority interests of a subsidiary which is interest bearing at 12% per annum.

35 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Disposal during the year ended December 31, 2009

On March 12, 2009 the Group entered into a sale and purchase agreement pursuant to which Countrystar, in which the Group has a 65% interest, agreed to dispose a 100% equity interest in Wanda & Central China Retail Mall (Luoyang) Company Limited, which holds a property development project in Luoyang at a consideration of RMB50 million.

The disposal had the following effect on the Group's assets:

	RMB'000
Trade and other receivables	4,514
Properties for sale	<u>38,012</u>
Net identifiable assets	<u>42,526</u>
Consideration received	<u><u>50,000</u></u>

Acquisition of Artstar during the year ended December 31, 2008 and acquisition of additional interest in Artstar during the year ended December 31, 2009

On May 11, 2007 and February 24, 2008, the Group entered into a cooperation development and equity interest transfer agreement ("the Cooperation Agreement"), and a supplemental agreement to the Cooperation Agreement pursuant to which Artstar, in which the Group has a 65% interest, agreed to acquire a 100% equity interest in Luoyang Zhongya, which holds a property development project in Luoyang, through acquisition of Country Star at a consideration of RMB350 million. Upon completion of the transaction on December 30, 2008, the Group has an indirect 65% equity interest in Luoyang Zhongya and Country Star.

Notes to The Financial Statements—(Continued)

The acquisition had the following effect on the Group's assets and liabilities:

	<u>Carrying amount</u>	<u>Adjustments</u>	<u>Recognized values on acquisitions</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Property, plant and equipment	660	—	660
Trade and other receivables	20,413	—	20,413
Deposits and prepayment	105,370	—	105,370
Prepaid tax	1,664	—	1,664
Properties for sale	133,943	299,357	433,300
Cash and cash equivalents	51,155	—	51,155
Receipts in advance	(142,946)	—	(142,946)
Trade and other payables and accruals	<u>(119,616)</u>	<u>—</u>	<u>(119,616)</u>
Net identifiable assets and liabilities	<u>50,643</u>	<u>299,357</u>	<u>350,000</u>
Consideration paid			350,000
Cash and cash equivalents acquired			<u>(51,155)</u>
Net cash outflow			<u>298,845</u>

On May 25, 2009, the Group entered into a share transfer agreement with a minority shareholder of Artstar, pursuant to which the Group agreed to acquire 9.99% equity interest in Artstar along with interests in shareholder's loan from the minority shareholder at a total consideration of RMB75 million.

On August 25, 2009, the Group entered into another share transfer agreement with the remaining minority shareholders of Artstar, pursuant to which the Group agreed to acquire an additional 20.01% equity interest in Artstar at a total consideration of HK\$100 million (equivalent to RMB88 million).

Subsequent to the acquisitions, the Group's equity interest in Artstar increased from 65% to 95%. The total premium of RMB93.1 million from the acquisitions is dealt with in equity in accordance with the accounting policy set out in note 2(d).

36 CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgments used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Impairment provision for construction in progress

As explained in note 2(i)(ii), the Group makes impairment provision for the construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgment and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

Notes to The Financial Statements—(Continued)

(b) Provision for completed properties held for sale and properties held for future development and under development for sale

As explained in note 2(1), the Group's completed properties held for sale and properties held for future development and under development for sale are stated at the lower of cost and net realizable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realizable value will decrease and this may result in provision for completed properties held for sale and properties held for future development and under development for sale. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(e) PRC Corporate Income Tax and PRC Land Appreciation Tax

As explained in note 7, the Group is subject to PRC Corporate Income Tax and PRC Land Appreciation Tax under both authorized taxation method or audited taxation method in different jurisdictions. Significant judgment is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

Notes to The Financial Statements—(Continued)

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(g) Valuation of investment properties

All investment properties of the Group are revalued as at the balance sheet date by independent professionally qualified valuers, on an open market value basis. The completed investment properties are valued by reference to the net income with allowance for reversionary income potential. For investment properties under development, their valuation are conducted by reference to the residual value approach taking into account comparable market transactions and any future construction costs required for the completion of the development.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sale prices for similar properties in the same location and condition and the appropriate capitalization rate.

(h) Estimation of fair value of derivative financial instruments

Redemption call and put options embedded to convertible bonds of the Group are classified as derivative financial instruments and stated at fair value at each balance sheet date. The fair value of these options is measured based on the assumptions set out in note 27. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

37 NON-ADJUSTING POST-BALANCE SHEET EVENT

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 30(c)(ii).

38 COMPARATIVE FIGURES

As a result of adopting HKAS 1 (revised 2007), Presentation of financial statements, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3.

Notes to The Financial Statements—(Continued)

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2009 and which have not been adopted in these financial statements.

	<u>Effective for accounting periods beginning on or after</u>
HKFRS 3 (Revised), <i>Business combinations</i>	July 1, 2009
Amendments to HKAS 27, <i>Consolidated and separate financial statements</i>	July 1, 2009
Amendments to HKAS 39, <i>Financial instruments: Recognition and measurement</i> —	
<i>Eligible hedged items</i>	July 1, 2009
HK(IFRIC) 17, <i>Distributions of non-cash assets to owners</i>	July 1, 2009
Improvements to HKFRSs 2009	July 1, 2009 or January 1, 2010

The group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.



**Independent auditor's report to the shareholders of
Central China Real Estate Limited**

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") set out on pages F-87 to F-142, which comprise the consolidated and company balance sheets as at December 31, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 27, 2009

CONSOLIDATED INCOME STATEMENT
for the year ended December 31, 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Turnover	3	3,226,996	1,821,663
Cost of sales		(1,988,764)	(1,308,374)
Gross profit		1,238,232	513,289
Other revenue	4	30,752	22,709
Other net income	4	18,548	854
Selling and marketing expenses		(97,484)	(87,418)
General and administrative expenses		(152,867)	(94,533)
Other operating expenses		(20,271)	(11,729)
Profit from operations		1,016,910	343,172
Share of loss of a jointly controlled entity		—	(262)
Share of loss of an associate	16	(2,983)	(2,315)
Finance costs	5(a)	(53,144)	(48,873)
Profit before change in fair value of investment properties and income tax		960,783	291,722
(Decrease)/increase in fair value of investment properties	13	(1,400)	13,823
Profit before taxation	5	959,383	305,545
Income tax	6(a)	(304,454)	(134,977)
Profit for the year		654,929	170,568
Attributable to:			
Equity shareholders of the Company		653,301	164,988
Minority interests		1,628	5,580
Profit for the year		654,929	170,568
Dividends	10	345,800	76,612
Basic earnings per share (RMB cents)	11	32.67	8.25

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
at December 31, 2008
(Expressed in Renminbi)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	12	211,209	155,084
Investment properties	13	245,200	246,600
Investment properties under development	14	9,384	23,683
Interest in an associate	16	22,302	25,285
Other financial assets	17	15,400	15,400
Deferred tax assets	27(b)	3,309	47,677
		<u>506,804</u>	<u>513,729</u>
Current assets			
Properties for sale	18	4,803,837	3,344,470
Trade and other receivables	19	223,103	145,163
Deposits and prepayments	20	343,568	615,754
Prepaid tax	27(a)	27,520	35,203
Restricted bank deposits	21	409,797	504,601
Cash and cash equivalents		927,721	399,602
		<u>6,735,546</u>	<u>5,044,793</u>
Current liabilities			
Bank loans	22	488,790	1,001,273
Other loans	23	123,950	—
Trade and other payables and accruals	24	1,940,923	1,335,943
Receipts in advance	25	947,270	1,244,186
Tax payable	27(a)	106,842	53,135
		<u>3,607,775</u>	<u>3,634,537</u>
Net current assets		<u>3,127,771</u>	<u>1,410,256</u>
Total assets less current liabilities		<u>3,634,575</u>	<u>1,923,985</u>
Non-current liabilities			
Bank loans	22	444,417	248,000
Other loans	23	36,790	136,430
Deferred tax liabilities	27(b)	63,446	64,754
		<u>544,653</u>	<u>449,184</u>
NET ASSETS		<u>3,089,922</u>	<u>1,474,801</u>
CAPITAL AND RESERVES			
Share capital	28	179,637	114
Reserves		<u>2,760,495</u>	<u>1,330,173</u>
Total equity attributable to equity shareholders of the Company		<u>2,940,132</u>	<u>1,330,287</u>
Minority interests		149,790	144,514
TOTAL EQUITY		<u>3,089,922</u>	<u>1,474,801</u>

Approved and authorized for issue by the board of directors on March 27, 2009.

Wu Po Sum
Executive Director

Wang Tianye
Executive Director

The accompanying notes form part of these financial statements.

BALANCE SHEET
at December 31, 2008
(Expressed in Renminbi)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		RMB'000	RMB'000
Non-current assets			
Investments in subsidiaries	15	<u>1,433,418</u>	—
Current assets			
Prepayments		65	—
Cash and cash equivalents		<u>36,527</u>	—
		<u>36,592</u>	—
Current liabilities			
Other payables and accruals	24	<u>3,775</u>	—
Net current assets		<u>32,817</u>	—
NET ASSETS		<u>1,466,235</u>	—
CAPITAL AND RESERVES			
	28		
Share capital		179,637	—
Reserves		<u>1,286,598</u>	—
TOTAL EQUITY		<u>1,466,235</u>	—

Approved and authorized for issue by the board of directors on March 27, 2009.

Wu Po Sum
Executive Director

Wang Tianye
Executive Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2008
(Expressed in Renminbi)

Attributable to equity shareholders of the Company											
Note	Share capital (Note 28(a))	Share premium (Note 28(b)(i))	Statutory reserve fund (Note 28(b)(ii))	Other capital reserve (Note 28(b)(iii))	Exchange reserve (Note 28(b)(iv))	Share-based compensation reserve (Note 28(b)(v))	Retained profits	Total	Minority interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2007	28(a)(i)	106	499,974	41,360	134,911	(1,538)	—	62,145	736,958	73,158	810,116
Profit for the year		—	—	—	—	—	164,988	164,988	5,580	170,568	
Exchange difference on translation of financial statements of overseas subsidiaries		—	—	—	(8,484)	—	—	(8,484)	—	(8,484)	
Appropriation to statutory reserve fund		—	—	73,806	—	—	(73,806)	—	—	—	
Dividend declared and paid	10	—	—	—	—	—	(76,612)	(76,612)	—	(76,612)	
Issue of new shares	28(a)(ii)	8	499,992	—	—	—	—	500,000	—	500,000	
Acquisition of additional interest in a subsidiary		—	—	—	(5,997)	—	—	(5,997)	(41,658)	(47,655)	
Acquisition of subsidiaries		—	—	—	19,434	—	—	19,434	33,334	52,768	
Dividend paid to a minority shareholder		—	—	—	—	—	—	—	(6,500)	(6,500)	
Contributions from minority shareholders		—	—	—	—	—	—	—	80,600	80,600	
At December 31, 2007	28(a)(ii)	<u>114</u>	<u>999,966</u>	<u>115,166</u>	<u>148,348</u>	<u>(10,022)</u>	<u>76,715</u>	<u>1,330,287</u>	<u>144,514</u>	<u>1,474,801</u>	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY—(Continued)
for the year ended December 31, 2008
(Expressed in Renminbi)

Attributable to equity shareholders of the Company											
	Note	Share capital (Note 28(a))	Share premium (Note 28(b)(i))	Statutory reserve fund (Note 28(b)(ii))	Other capital reserve (Note 28(b)(iii))	Exchange reserve (Note 28(b)(iv))	Share-based compensation reserve (Note 28(b)(v))	Retained profits	Total	Minority interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2008	28(a)(ii)	114	999,966	115,166	148,348	(10,022)	—	76,715	1,330,287	144,514	1,474,801
Profit for the year		—	—	—	—	—	—	653,301	653,301	1,628	654,929
Exchange difference on translation of financial statements of overseas subsidiaries		—	—	—	—	(12,696)	—	—	(12,696)	969	(11,727)
Appropriation to statutory reserve fund		—	—	131,772	—	—	—	(131,772)	—	—	—
Dividend declared and paid	10	—	—	—	—	—	—	(152,000)	(152,000)	—	(152,000)
Equity settled share-based payment		—	—	—	—	—	6,604	—	6,604	—	6,604
Nominal value of share capital of the subsidiary transferred	28(a)(iii)	135,021	(999,966)	—	864,945	—	—	—	—	—	—
Issue of new shares, net of listing expenses	28(a)(iv)	44,502	1,076,820	—	—	—	—	—	1,121,322	—	1,121,322
Acquisition of additional interest in a subsidiary		—	—	—	(6,686)	—	—	—	(6,686)	(14,321)	(21,007)
Capital distribution to a minority shareholder		—	—	—	—	—	—	—	—	(4,000)	(4,000)
Dividend paid to a minority shareholder		—	—	—	—	—	—	—	—	(5,500)	(5,500)
Contributions from minority shareholders		—	—	—	—	—	—	—	—	26,500	26,500
At December 31, 2008	28(a)(v)	<u>179,637</u>	<u>1,076,820</u>	<u>246,938</u>	<u>1,006,607</u>	<u>(22,718)</u>	<u>6,604</u>	<u>446,244</u>	<u>2,940,132</u>	<u>149,790</u>	<u>3,089,922</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended December 31, 2008
(Expressed in Renminbi)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		RMB'000	RMB'000
Operating activities			
Profit before taxation		959,383	305,545
Adjustments for:			
— Interest income		(29,628)	(19,000)
— Depreciation and amortization		9,660	9,080
— Equity settled share-based payment expenses		6,604	—
— Dividend income		(1,124)	(1,297)
— Decrease/(increase) in fair value of investment properties		1,400	(13,823)
— Net gain on disposals of property, plant and equipment		(172)	(17)
— Share of loss of a jointly controlled entity		—	262
— Share of loss of an associate		2,983	2,315
— Finance costs		53,144	48,873
Operating profit before changes in working capital		1,002,250	331,938
Increase in properties for sale		(963,120)	(1,209,016)
Decrease in trade and other receivables		27,430	224,990
Decrease/(increase) in deposits and prepayments		336,896	(149,727)
Increase in trade and other payables and accruals		489,136	247,137
Decrease in restricted bank deposits		4,804	51,872
(Decrease)/increase in receipts in advance		(439,862)	370,869
Cash generated from/(used in) operations		457,534	(131,937)
PRC income tax paid		(198,340)	(141,810)
Net cash generated from/(used in) operating activities		259,194	(273,747)
Investing activities			
Payment for purchase of property, plant and equipment		(45,913)	(29,547)
Proceeds from disposals of property, plant and equipment		361	296
Prepayment for investment in a subsidiary		(44,297)	—
Acquisition of an associate		—	(27,600)
Proceeds from disposals of unlisted equity securities		—	5,000
Expenditure on investment properties and investment properties under development		(5,102)	(26,210)
Acquisition of additional interest in a subsidiary		(21,007)	(47,655)
Net cash paid upon acquisitions of subsidiaries	33	(298,845)	(82,580)
Dividend received		1,124	1,297
Interest received		29,628	19,000
Net cash used in investing activities		(384,051)	(187,999)

CONSOLIDATED CASH FLOW STATEMENT—(Continued)
for the year ended December 31, 2008
(Expressed in Renminbi)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		RMB'000	RMB'000
Financing activities			
Proceeds from new bank loans		840,129	977,747
Repayment of bank loans		(1,060,828)	(603,594)
Interest paid		(119,863)	(134,304)
Repayment of other loans		(15,690)	(227,263)
Proceeds from new other loans		40,000	40,000
Issue of new shares		1,121,322	500,000
Dividend paid		(152,000)	(76,612)
Dividend paid to a minority shareholder		(5,500)	(6,500)
Capital injected by minority shareholders		26,500	80,600
Capital distribution to a minority shareholder		(4,000)	—
Net cash generated from financing activities		<u>670,070</u>	<u>550,074</u>
Net increase in cash and cash equivalents		545,213	88,328
Cash and cash equivalents at January 1		399,602	319,758
Effect of foreign exchange rate changes		<u>(17,094)</u>	<u>(8,484)</u>
Cash and cash equivalents at December 31		<u><u>927,721</u></u>	<u><u>399,602</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION AND GROUP REORGANIZATION

Central China Real Estate Limited (“the Company”) was incorporated in the Cayman Islands on November 15, 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business is at Room 1008, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries (“the Group”) are principally engaged in property development in Henan in the People’s Republic of China (“the PRC”).

Pursuant to a reorganization of the Group completed on May 14, 2008 (“the Reorganization”) to rationalize the Group’s structure in preparation for the public listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”), the Company became the holding company of the subsidiaries comprising the Group. The shares of the Company were listed on the Stock Exchange on June 6, 2008. Details of the Reorganization are set out in the prospectus of the Company dated May 26, 2008 (“Prospectus”) for the purpose of the listing of the Company’s shares on the Stock Exchange (“the Listing”).

The Group is regarded as a continuing entity resulting from the Reorganization under common control. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years ended December 31, 2007 and 2008 or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganization.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group’s or the Company’s operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36).

(b) Basis of preparation

The consolidated financial statements for the year ended December 31, 2008 comprise the Group and its interest in an associate.

The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, and are prepared on the historical cost basis, except for investment properties (see note 2(g)) which are stated at their fair value as explained in the accounting policies set forth below.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future period are discussed in note 34.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from the holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(n) or 2(o) depending on nature of the liability.

On the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(d) Business combination for entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the holders that controls the Group are accounted for as if the acquisition had occurred at the beginning of the year or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's controlling holder's consolidated financial statements.

The consolidated financial statements include the results of each of the combining entities or business from the earliest date presented, or since the date when combining entities or business first came under the control of the controlling parties, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under control of the controlling parties, whichever is shorter.

Upon transfer of interest in an entity to another entity that are under the control of the equity shareholders that control the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognized directly in equity.

When the Group acquires additional interests in its subsidiaries from minority shareholders, the difference between the considerations and carrying values of minority interests in the Group's consolidated financial statements are dealt with in equity.

(e) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate and a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or jointly controlled entity's net assets. The consolidated income statements include the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss relating to the investments in associates and jointly controlled entities recognized for the year (see note 2(j)).

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealized profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently accounted for in the consolidated balance sheets at cost less impairment losses (see note 2(j)).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

Property that is being constructed or developed for future use as investment property is classified as investment property under development and stated at cost less impairment loss (see note 2(j)) until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

(h) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)).

- Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(i)); and
- Other items of plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion
- Furniture, fixtures and equipment 5 to 10 years
- Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other subsequent expenditure is recognized in profit or loss as an expense as incurred.

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction during the year of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, if later.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)) or properties for sale (see note 2(k)).

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities, see note 2(j)(ii)) and current receivables that are stated at cost or amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in any equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

- For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortized cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired.

- property, plant and equipment;
- investment properties under development;
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investments in subsidiaries, associates and jointly controlled entities.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior year. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognized in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a similar loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Properties for sale

Properties for sale are classified as current assets and carried at the lower of cost and net realizable value. Cost and net realizable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads and borrowing costs capitalized (see note 2(v)). Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bring the properties to their present location and condition.

(l) Construction contracts

The accounting policy for contract revenue is set forth in note 2(t)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognized profit less recognized losses and progress billings, and are presented in the balance sheet as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under “Trade and other receivables.” Amounts received before the related work is performed are included in the balance sheet, as a liability, as “Receipts in advance.”

(m) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made by related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payables using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payable are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale not yet recognized as an expense.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial (Cox, Ross, Rubinstein) model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(ii) Other provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group and the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognized upon the signing of the sale and purchase agreement or the completion of the properties, whichever the later, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause, is recognized when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the balance sheet under receipts in advance.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the respective lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in the profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned. Revenue from operating leases excludes business tax or other sales related taxes.

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a cost plus contract is recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Interest income

Interest income is recognized as it accrues using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(v) Dividend income

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

(vi) Government grants

Government grants are recognized in the consolidated balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Government grants that compensate the Group for expense incurred in a previous year is recognized as income of the year in which it becomes receivable.

(u) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The financial statements are presented in RMB for easy reference to investors.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized on profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognized directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognized directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognized in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(v) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing projects or services (business segment), or providing projects or services within a particular economic environment (geographical segment), which is subject to risks and rewards, that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. No segment information is presented in respect of the Group's geographical segments as the Group's principal activities are largely carried out in the PRC.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

Business segments

The Group comprises the following main business segments:

- Property development: the development and sales of residential and commercial properties
- Property leasing: the leasing of commercial properties, schools and kindergartens
- Construction contract: the construction of properties for external customers

2008

	<u>Property development</u>	<u>Property leasing</u>	<u>Construction contract</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Turnover	3,000,993	19,393	206,610	3,226,996
Segment result	1,232,430	19,078	(13,276)	1,238,232
Unallocated income and expenses				(221,322)
Profit from operations				1,016,910
Share of loss of an associate				(2,983)
Finance costs				(53,144)
Profit before change in fair value of investment properties and income tax				960,783
Decrease in fair value of investment properties	—	(1,400)	—	(1,400)
Profit before taxation				959,383
Income tax				(304,454)
Profit for the year				654,929
Segment assets	5,637,963	254,584	55,056	5,947,603
Interest in an associate				22,302
Unallocated assets				1,272,445
Total assets				7,242,350
Segment liabilities	2,362,529	469	—	2,362,998
Unallocated liabilities				1,789,430
Total liabilities				4,152,428
Depreciation and amortization	9,660	—	—	9,660
Capital expenditure	45,913	5,102	—	51,015

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

2007

	<u>Property development</u>	<u>Property leasing</u>	<u>Construction contract</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Turnover	1,662,966	17,664	141,033	1,821,663
Segment result	490,516	17,349	5,424	513,289
Unallocated income and expenses				(170,117)
Profit from operations				343,172
Share of loss of a jointly controlled entity	(262)	—	—	(262)
Share of loss of an associate				(2,315)
Finance costs				(48,873)
Profit before change in fair value of investment properties and income tax				291,722
Increase in fair value of investment properties	—	13,823	—	13,823
Profit before taxation				305,545
Income tax				(134,977)
Profit for the year				170,568
Segment assets	4,167,746	277,253	8,501	4,453,500
Interest in an associate				25,285
Unallocated assets				1,079,737
Total assets				5,558,522
Segment liabilities	2,138,274	315	—	2,138,589
Unallocated liabilities				1,945,132
Total liabilities				4,083,721
Depreciation and amortization	9,080	—	—	9,080
Capital expenditure	29,547	26,210	—	55,757

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

4 OTHER REVENUE AND NET INCOME

	2008	2007
	RMB'000	RMB'000
Other revenue		
Interest income	29,628	19,000
Government subsidies (<i>Note</i>)	—	2,412
Dividend income from unlisted equity securities	1,124	1,297
	30,752	22,709
Other net income		
Net gain on disposals of property, plant and equipment	172	17
Net exchange gain/(loss)	20,041	(1,695)
Compensation from customers	—	2,532
Compensation to contractors	(1,665)	—
	18,548	854

Note: Government subsidies in 2007 were in the form of tax refunds to certain subsidiaries of the Group from local governments for encouragement of developments in such districts.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	2008	2007
	RMB'000	RMB'000
Interest on bank loans	77,233	66,445
Interest on other loans	16,897	37,773
Interest on advances from customers (<i>Note 25</i>)	15,901	18,758
Other ancillary borrowing costs	6,060	3,897
	116,091	126,873
Less: Borrowing costs capitalized*	(62,947)	(78,000)
	53,144	48,873

* Borrowing costs have been capitalized at rates ranging from 4.86% - 15.70% (2007: 5.31% - 15.70%) per annum.

(b) Staff costs:

	2008	2007
	RMB'000	RMB'000
Salaries, wages and other staff costs	100,724	64,022
Including:		
Retirement scheme contributions	4,928	3,018
Equity settled share-based payment expenses (<i>Note 26</i>)	6,604	—
	112,256	67,040

Employees of the Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group's subsidiaries

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also maintains a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The Group’s and employee’s contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK\$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

(c) Other items:

	2008	2007
	RMB’000	RMB’000
Depreciation and amortization	9,660	9,080
Impairment loss on other receivables (<i>Note 19(b)</i>)	4,182	—
Auditors’ remuneration	3,400	593
Cost of properties sold	1,768,563	1,172,450
Operating lease charges in respect properties	776	832
Rental income	(19,393)	(17,664)
Less: Direct outgoings#	315	315
	(19,078)	(17,349)
Contingent rents included in rental income	—	(380)

Direct outgoings represent operating lease charges in respect of sub-leased properties and management fee expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008	2007
	RMB’000	RMB’000
Current tax		
PRC Corporate Income Tax	142,777	107,915
PRC Land Appreciation Tax	96,117	53,132
Withholding tax on dividends declared by the PRC foreign investment enterprise	22,500	—
	261,394	161,047
Deferred tax		
Revaluation of properties	(1,308)	3,456
Tax losses	47,677	(28,103)
Other temporary difference	(3,309)	—
Effect of change in PRC tax rate on opening deferred tax balance	—	(1,423)
	43,060	(26,070)
	304,454	134,977

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

- (i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.
- (ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

- (iii) PRC Corporate Income Tax (“CIT”)

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Group’s subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Pursuant to the PRC income tax law that was passed by the Standing Committee of the Tenth National People’s Congress on March 16, 2007 (“the New Tax Law”), CIT rate was revised from 33% to 25% with effect from January 1, 2008.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 10% to 15% (2007: 10% to 14%) of their revenue in accordance with the authorized taxation method (核定徵收) pursuant to the applicable PRC tax regulations. The tax rate was 25% (2007: 33%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the audited taxation method (查賬徵收), were charged CIT at a rate of 25% (2007: 33%) on the estimated assessable profits for the year.

- (iv) Land Appreciation Tax (“LAT”)

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain subsidiaries of the Group were subject to LAT which is calculated based on 1.5% to 3.5% (2007: 1.5% to 3.5%) of their revenue in accordance with the authorized taxation method.

- (v) Withholding tax

Pursuant to the New Tax Law, a 5% withholding tax is levied on the Hong Kong companies in respect of dividend distributions arising from profits of PRC foreign investment enterprises earned from January 1, 2008. During the year, the PRC foreign investment enterprise of the Group has declared dividend in relation to the profits earned in 2008 and withholding tax on the dividend was charged to the consolidated income statement accordingly.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	<u>2008</u>	<u>2007</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Profit before taxation	<u>959,383</u>	<u>305,545</u>
Tax on profit before tax calculated at 25% (2007: 33%)	239,846	100,830
Difference in tax rates for certain subsidiaries	3,184	6,339
Tax effect of non-taxable revenue	(528)	(759)
Tax effect of non-deductible expenses	11,060	20,709
Tax effect of adopting authorized taxation method	(53,700)	(30,533)
Tax effect of unused tax losses not recognized	10,004	4,214
Withholding tax on dividends distributed by the PRC foreign investment enterprise	22,500	—
Effect of change in the PRC tax rate on opening deferred tax balance	—	(1,423)
Land Appreciation Tax	96,117	53,132
Tax effect of Land Appreciation Tax	(24,029)	(17,532)
Income tax expense	<u>304,454</u>	<u>134,977</u>

7 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out as follows:

	<u>Directors' fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Retirement scheme contributions</u>	<u>Discretionary bonuses</u>	<u>Share-based payments (Note)</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
2008						
<i>Executive directors</i>						
Wu Po Sum	—	2,902	11	446	1,310	4,669
Wang Tianye	—	2,000	11	1,571	516	4,098
Yan Yingchun	—	627	11	268	310	1,216
<i>Non-executive directors</i>						
Lim Ming Yan	89	—	—	—	516	605
Leow Juan Thong Jason	89	—	—	—	310	399
Wallis Wu (alias Li Hua)	232	—	11	36	—	279
<i>Independent non-executive directors</i>						
Cheung Shek Lun	125	—	—	—	—	125
Fang Fenglei	125	—	—	—	—	125
Wang Shi	125	—	—	—	—	125
Total	<u>785</u>	<u>5,529</u>	<u>44</u>	<u>2,321</u>	<u>2,962</u>	<u>11,641</u>

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments (Note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2007						
<i>Executive directors</i>						
Wu Po Sum	—	3,119	12	—	—	3,131
Wang Tianye	—	1,996	12	—	—	2,008
Yan Yingchun	—	350	3	—	—	353
<i>Non-executive directors</i>						
Lim Ming Yan	—	96	—	—	—	96
Leow Juan Thong Jason	—	96	—	—	—	96
Wallis Wu (<i>alias Li Hua</i>)	—	249	12	—	—	261
Total	<u>—</u>	<u>5,906</u>	<u>39</u>	<u>—</u>	<u>—</u>	<u>5,945</u>

Note: These represent the estimated value of share options granted to the directors under the Company's pre-IPO share option scheme. The value of these share option is measured according to the Group's accounting policies for share-based payment transactions as set out in 2(q)(ii).

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the current or prior years. No director has waived or agreed to waive any emoluments for the current or prior years. No remuneration was paid to independent non-executive directors in 2007 as all the independent non-executive directors were appointed in 2008.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2007: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining three (2007: three) individuals are as follows:

	2008	2007
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	4,804	1,830
Discretionary bonuses	1,489	—
Share-based payments	216	—
Retirement scheme contributions	22	10
	<u>6,531</u>	<u>1,840</u>

The emoluments of these three (2007: three) individuals with the highest emoluments are within the following band:

	2008	2007
	Number of individuals	Number of individuals
Nil to RMB1,000,000	—	3
RMB1,000,001 to RMB1,500,000	1	—
RMB1,500,001 to RMB2,000,000	1	—
RMB3,000,001 to RMB3,500,000	1	—

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB209,761,000 (2007: Nil) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

	2008	2007
	RMB'000	RMB'000
Dividends declared and paid prior to the Listing	152,000	76,612
Final dividend proposed after the balance sheet date of HK\$11 cents (equivalent to RMB9.69 cents) (2007: Nil) per ordinary share	193,800	—
	345,800	76,612

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

Dividends declared prior to the Listing presented in 2007 and 2008 represent dividends declared by subsidiaries of the Company to their then shareholders prior to the Reorganization. The dividend rates and number of shares ranking for the dividends declared and paid prior to the Listing are not presented as such information is not meaningful having regard to the purpose of these financial statements.

11 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB653,301,000 (2007: RMB164,988,000) for the year and the 2,000,000,000 shares in issue as at the year end date as if the shares were in issue throughout the entire year.

No diluted earnings per share is presented as the Company's pre-IPO share options as at December 31, 2008 do not give rise to any dilution.

There were no dilutive potential ordinary shares in issue as at December 31, 2007.

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Interests in leasehold land held for own use under operating lease	Buildings	Construction in progress	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2008	19,226	105,647	47,632	10,158	12,293	194,956
Additions	27,512	—	11,729	4,729	1,943	45,913
Additions through acquisitions of subsidiaries	—	—	—	354	306	660
Transfer from investment properties under development (<i>Note 14</i>)	—	19,401	—	—	—	19,401
Disposals	—	—	—	(266)	(525)	(791)
At December 31, 2008	46,738	125,048	59,361	14,975	14,017	260,139

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

	Interests in leasehold land held for own use under operating lease	Buildings	Construction in progress	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and amortization:						
At January 1, 2008	2,835	25,648	—	4,894	6,495	39,872
Charge for the year	893	4,981	—	1,934	1,852	9,660
Written back on disposals	—	—	—	(196)	(406)	(602)
At December 31, 2008	<u>3,728</u>	<u>30,629</u>	<u>—</u>	<u>6,632</u>	<u>7,941</u>	<u>48,930</u>
Net book value:						
At December 31, 2008	<u>43,010</u>	<u>94,419</u>	<u>59,361</u>	<u>8,343</u>	<u>6,076</u>	<u>211,209</u>
Cost:						
At January 1, 2007	18,341	61,747	22,272	9,403	11,009	122,772
Additions	885	—	25,360	2,011	1,291	29,547
Additions through acquisitions of subsidiaries	—	—	—	33	91	124
Transfer from investment properties (Note 13)	—	43,900	—	—	—	43,900
Disposals	—	—	—	(1,289)	(98)	(1,387)
At December 31, 2007	<u>19,226</u>	<u>105,647</u>	<u>47,632</u>	<u>10,158</u>	<u>12,293</u>	<u>194,956</u>
Accumulated depreciation and amortization:						
At January 1, 2007	1,899	20,879	—	4,417	4,705	31,900
Charge for the year	936	4,769	—	1,568	1,807	9,080
Written back on disposals	—	—	—	(1,091)	(17)	(1,108)
At December 31, 2007	<u>2,835</u>	<u>25,648</u>	<u>—</u>	<u>4,894</u>	<u>6,495</u>	<u>39,872</u>
Net book value:						
At December 31, 2007	<u>16,391</u>	<u>79,999</u>	<u>47,632</u>	<u>5,264</u>	<u>5,798</u>	<u>155,084</u>

The analysis of carrying value of leasehold land is set out as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
In PRC		
— long leases	35,654	8,950
— medium-term leases	7,356	7,441
	<u>43,010</u>	<u>16,391</u>

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

13 INVESTMENT PROPERTIES

	The Group	
	2008	2007
	RMB'000	RMB'000
At January 1	246,600	274,150
(Decrease)/increase in fair value	(1,400)	13,823
Additions	—	2,527
Transfer to property, plant and equipment (<i>Note 12</i>)	—	(43,900)
At December 31	<u>245,200</u>	<u>246,600</u>

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at December 31, 2008 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis calculated by reference to net income with allowance for reversionary income potential.

(b) The analysis of fair value of investment properties is set out as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
In PRC		
— long leases	156,300	158,100
— medium-term leases	88,900	88,500
	<u>245,200</u>	<u>246,600</u>

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to twelve years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 year	1,500	1,440
After 1 year but within 5 years	6,180	6,096
After 5 years	3,516	5,100
	<u>11,196</u>	<u>12,636</u>

(d) Pledges of investment properties

At December 31, 2007, certain investment properties of the Group were pledged to banks as securities for the Group's bank loans (see note 22).

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

14 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	The Group	
	2008	2007
	RMB'000	RMB'000
At January 1	23,683	—
Additions	5,102	23,683
Transfer to property, plant and equipment (<i>Note 12</i>)	(19,401)	—
At December 31	<u>9,384</u>	<u>23,683</u>

(a) *The analysis of carrying value of investment properties under development is set out as follows:*

	The Group	
	2008	2007
	RMB'000	RMB'000
In PRC		
— long leases	<u>9,384</u>	<u>23,683</u>

(b) *The analysis of carrying value of leasehold land included in investment properties under development is set out as follows:*

	The Group	
	2008	2007
	RMB'000	RMB'000
In PRC		
— long leases	<u>2,608</u>	<u>5,856</u>

15 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	RMB'000	RMB'000
Unlisted shares, at cost	135,135	—
Amounts due from subsidiaries	1,298,283	—
	<u>1,433,418</u>	<u>—</u>

Amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment but not expected to be settled within one year.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities	Legal form
			Direct	Indirect		
Anyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Wholly owned foreign enterprise
Artstar Investments Limited (“Artstar”)	The British Virgin Islands and Hong Kong	US\$100	—	65%	Investment holding	Private company
Henan Central China Forest Peninsula Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Kaifeng Central China Forest Peninsula Real Estate Company Limited	Henan, the PRC	RMB100,000,000	—	60%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Hotel management	Limited liability company
Central China Properties Development Limited	Hong Kong	HK\$1	—	100%	Inactive	Private company
Central China Premier Service (Zhengzhou) Company Limited	Henan, the PRC	RMB1,000,000	—	100%	Trading	Limited liability company
Central China Real Estate (Luoyang) Company Limited (“CCRE Luoyang”) (Note (a))	Henan, the PRC	RMB112,840,000	—	100%	Property development	Wholly owned foreign enterprise

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities	Legal form
			Direct	Indirect		
Central China Real Estate (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited	Henan, the PRC	RMB1,700,000,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate Holding Limited	The British Virgin Islands and Hong Kong	US\$13,289	—	100%	Investment holding	Private company
Central China Real Estate Investments Limited	Hong Kong	HK\$1	—	100%	Investment holding	Private company
Construction Premier Service Limited	Hong Kong	HK\$1	—	100%	Inactive	Private company
Country Star Holdings Limited (“Country Star”)	Hong Kong	HK\$1	—	65%	Property development	Private company
Henan Central China Commercial Properties Management Company Limited	Henan, the PRC	RMB80,000,000	—	100%	Consulting property investment, leasing and management	Limited liability company
Henan Central China Heating Supply Company Limited	Henan, the PRC	RMB15,000,000	—	100%	Provision of heating and hot water	Limited liability company
Henan Central China Real Estate Company Limited	Henan, the PRC	RMB200,000,000	—	100%	Property development	Limited liability company

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities	Legal form
			Direct	Indirect		
Henan Central China Sun City Real Estate Company Limited	Henan, the PRC	RMB120,100,000	—	96.68%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited (“CCRE St. Andrews”)	Henan, the PRC	RMB8,000,000	—	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited	Henan, the PRC	RMB5,000,000	—	60%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited (“CCRE Zhongyuan”)	Henan, the PRC	RMB50,000,000	—	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited	Henan, the PRC	RMB35,000,000	—	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Joy Ascend Holdings Limited (“Joy Ascend”)	The British Virgin Islands and Hong Kong	US\$14,618	100%	—	Investment holding	Private company
Kaifeng Central China Dahong Real Estate Company Limited	Henan, the PRC	RMB150,000,000	—	60%	Property development	Limited liability company
Kaifeng Central China Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	80%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Wholly owned foreign enterprise

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities	Legal form
			Direct	Indirect		
Luohe Central China Changjian Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	75%	Property development	Limited liability company
Luoyang Zhongya Real Estate Development Company Limited (“Luoyang Zhongya”)	Henan, the PRC	RMB59,690,720	—	65%	Property development	Wholly owned foreign enterprise
Nanyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China Real Estate Company Limited	Henan, the PRC	RMB28,000,000	—	100%	Property development	Wholly owned foreign enterprise
Puyang Central China Real Estate Company Limited	Henan, the PRC	RMB40,500,000	—	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited	Henan, the PRC	RMB38,000,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Jianye Huarun Zhiye Company Limited	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company
Wanda & Central China Retail Mall (Luoyang) Company Limited	Henan, the PRC	RMB8,000,000	—	65%	Property development	Wholly owned foreign enterprise
Xinxiang Central China Real Estate Company Limited	Henan, the PRC	RMB44,900,000	—	100%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited	Henan, the PRC	RMB58,000,000	—	60%	Property development	Limited liability company

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities	Legal form
			Direct	Indirect		
Xinyang Central China Tianming Real Estate Company Limited (“CCRE Xinyang”) (Note (b))	Henan, the PRC	RMB30,000,000	—	50%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited	Henan, the PRC	RMB57,000,000	—	100%	Property development	Wholly owned foreign enterprise
Yuzhou New Plaza Construction & Development Company Limited	Henan, the PRC	RMB10,000,000	—	75%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Zhumadian Central China Real Estate Company Limited (“CCRE Zhumadian”) (Note (a))	Henan, the PRC	RMB37,577,000	—	100%	Property development	Wholly owned foreign enterprise

Notes:

- (a) 48.01% and 74.56% interests in CCRE Zhumadian and CCRE Luoyang, respectively, are registered in the name of a trust company pursuant to trust arrangements (see note 23).
- (b) CCRE Xinyang is regarded as a subsidiary as the Group controls the board of directors of CCRE Xinyang pursuant to its articles of association.
- (c) The English names of the PRC companies referred to above were translated by management only for the propose of these financial statements as no English names have been registered or available.

16 INTEREST IN AN ASSOCIATE

	The Group	
	2008	2007
Share of net assets	<u>22,302</u>	<u>25,285</u>

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

Details of the Group's interest in the associate are set out as follows:

<u>Name of company</u>	<u>Place of incorporation and operation</u>	<u>Registered capital</u>	<u>Percentage of equity attributable to the Group</u>		<u>Principal activity</u>	<u>Legal form</u>
			<u>2008</u>	<u>2007</u>		
St. Andrews Golf Club (Zhengzhou) Company Limited	Henan, the PRC	RMB69,000,000	40%	40%	Provision of golf facilities	Wholly owned foreign enterprise

Summary financial information on an associate

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	<u>Loss</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
2008					
100 per cent	<u>67,930</u>	<u>12,176</u>	<u>55,754</u>	<u>—</u>	<u>(7,458)</u>
Group's effective interest	<u>27,172</u>	<u>4,870</u>	<u>22,302</u>	<u>—</u>	<u>(2,983)</u>
2007					
100 per cent	<u>63,278</u>	<u>66</u>	<u>63,212</u>	<u>—</u>	<u>(5,788)</u>
Group's effective interest	<u>25,311</u>	<u>26</u>	<u>25,285</u>	<u>—</u>	<u>(2,315)</u>

17 OTHER FINANCIAL ASSETS

	<u>The Group</u>	
	<u>2008</u>	<u>2007</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Unlisted equity securities, at cost — in the PRC	<u>15,400</u>	<u>15,400</u>

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at December 31, 2008 and 2007.

18 PROPERTIES FOR SALE

	<u>The Group</u>	
	<u>2008</u>	<u>2007</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Properties held for future development and under development for sale	<u>3,688,915</u>	2,709,400
Completed properties held for sale	<u>1,114,922</u>	635,070
	<u>4,803,837</u>	<u>3,344,470</u>

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

- (a) The analysis of carrying value of leasehold land included in properties held for future development, and under development for sale and completed properties held for sale are set out as follows:

	2008	2007
	RMB'000	RMB'000
In PRC		
— long leases	2,692,963	1,581,370
— medium-term leases	18,023	49,156
	2,710,986	1,630,526

- (b) The amount of properties held for future development and under development for sale expected to be recovered after more than one year is analyzed as follows:

	2008	2007
	RMB'000	RMB'000
Properties held for future development and under development for sale	2,379,237	1,663,139

- (c) The analysis of the amount of properties for sale recognized as an expense is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Carrying amount of properties for sale sold	1,754,505	1,172,450
Write down of properties for sale	14,058	—
	1,768,563	1,172,450

- (d) Certain portion of the Group's properties held for future development and under development for sale were pledged to banks as securities for the Group's bank loans. Details are set out in note 22.

- (e) The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for an initial period of 20 years. The lease does not include any contingent rental. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2008	2007
	RMB'000	RMB'000
Within 1 year	8,660	9,019
After 1 year to 5 years	35,386	34,271
After 5 years	124,921	133,706
	168,967	176,996

The Directors confirm that the Group intends to sell the properties together with the respective leases.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

19 TRADE AND OTHER RECEIVABLES

	The Group	
	2008	2007
	RMB'000	RMB'000
Bills receivable	300	9,409
Trade receivables (<i>Note (a)</i>)	5,082	26,530
Other receivables (<i>Note (b)</i>)	120,734	100,677
Amount due from a director (<i>Note (c)</i>)	—	46
Amounts due from related companies (<i>Note (d)</i>)	89,226	—
Gross amount due from a customer for contract work (<i>Note (e)</i>)	7,761	8,501
	<u>223,103</u>	<u>145,163</u>

Notes:

- (a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, are as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Current or less than 1 month overdue	813	18,061
1 to 3 months overdue	952	4,337
3 to 6 months overdue	577	815
6 months to 1 year overdue	695	626
More than 1 year overdue	2,045	2,691
	<u>5,082</u>	<u>26,530</u>

The Group's credit policy is set out in note 29(b).

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances, except for the mortgage loans receivable as set out in note 31.

- (b) At December 31, 2008, the Group's other receivables of RMB4,182,000 (2007: Nil) was individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that these receivables are not expected to be recovered. Consequently, specific allowance for doubtful debts of RMB4,182,000 (2007: Nil) was recognized.
- (c) The amount due from a director was unsecured, interest free and had no fixed terms of repayment and repaid during the year. Details of the amount due from a director are as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Mr. Wu Po Sum	—	—
Maximum amount outstanding during the year	—	1,351
Mr. Wang Tianye	—	46
Maximum amount outstanding during the year	46	46

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

- (d) The amounts due from related companies of the Group included a balance of RMB 88,851,000 (2007: Nil) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company (see note 32). The amount is unsecured, interest free and repayable on demand. The remaining amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.
- (e) Gross amount due from a customer for contract work at December 31, 2008 was set out as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Cost incurred	355,495	135,609
Recognized (loss)/profit	(7,852)	5,424
	347,643	141,033
Less: Progress billings	(339,882)	(132,532)
	7,761	8,501

20 DEPOSITS AND PREPAYMENTS

At December 31, 2008, the balance included deposits and prepayments for leasehold land of RMB209,679,000 (2007: RMB460,208,000).

21 RESTRICTED BANK DEPOSITS

	The Group	
	2008	2007
	RMB'000	RMB'000
Guarantee deposits in respect of:		
— mortgage loans related to property sale	97,009	97,596
— bills payable	212,788	217,005
— bank loans (<i>Note 22(b)(i)</i>)	100,000	190,000
	409,797	504,601

22 BANK LOANS

(a) *At December 31, 2008, the bank loans were repayable as follows:*

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 year	488,790	1,001,273
After 1 year but within 2 years	424,417	248,000
After 2 years but within 5 years	20,000	—
	444,417	248,000
	933,207	1,249,273

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(b) At December 31, 2008, the bank loans were secured as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Bank loans		
— secured <i>(Note (i))</i>	759,314	1,052,273
— unsecured	173,893	197,000
	933,207	1,249,273

(i) At December 31, 2008, assets of the Group secured against bank loans are analyzed as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Investment properties	—	172,600
Properties held for future development and under development for sale	739,310	825,957
Restricted bank deposits <i>(Note 21)</i>	100,000	190,000
	839,310	1,188,557

(ii) At December 31, 2007, a secured bank loan with carrying value of RMB150,282,000 was guaranteed by Mr. Wu Po Shum. The guarantee was released during the year.

(c) The effective interest rates of bank loans of the Group at December 31, 2008 were ranged from 4.86% – 11.00% (2007: 5.59% – 11.00%) per annum.

23 OTHER LOANS

(a) At December 31, 2008, other loans were repayable as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 year	123,950	—
After 1 year but within 2 years	36,790	109,130
After 2 years but within 5 years	—	27,300
	36,790	136,430
	160,740	136,430

(b) At December 31, 2008, the other loans were secured as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Other loans		
— secured <i>(Note (i) and (ii))</i>	120,740	136,430
— unsecured <i>(Note (iii))</i>	40,000	—
	160,740	136,430

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

- (i) Included in secured other loans is a total amount of RMB80,740,000 (2007: RMB96,430,000) in relation to the trust arrangements with a trust company. Under these trust arrangements, the trust company injected paid-in capital to certain subsidiaries and the legal titles of these shares were transferred to the trust company. The Group committed to repurchase while the trust company has the obligations to sell such shares within pre-set periods. The trust company does not entitle to any profit distributions from these subsidiaries but receives fixed interest income periodically or at the end of the trust period. Such paid-in capital is classified as other loans in the financial statements.

At December 31, 2008, 48.01% and 74.56% (2007: 48.01% and 74.56%) interests in CCRE Zhumadian and CCRE Luoyang respectively, were registered under the name of the trust company.

- (ii) The remaining secured other loans at December 31, 2007 and 2008 were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB167,325,000 (2007: RMB175,631,000) at December 31, 2008.
- (iii) The unsecured other loan at December 31, 2008 represented an entrusted loan provided by an independent third party to the Group through an external bank.
- (iv) The effective interest rates of other loans of the Group at December 31, 2008 were ranged from 6.30% – 15.70% (2007: 6.30% – 15.70%) per annum.

24 TRADE AND OTHER PAYABLES AND ACCRUALS

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Bills payable	180,433	213,994	—	—
Trade payables (<i>Note (a)</i>)	675,566	272,208	—	—
Other payables and accruals	702,625	701,577	—	—
Amounts due to related companies (<i>Note (b)</i>)	32	336	—	—
Amounts due to minority shareholders (<i>Note (b)</i>)	382,267	147,828	—	—
Amounts due to subsidiaries (<i>Note (b)</i>)	—	—	3,775	—
	<u>1,940,923</u>	<u>1,335,943</u>	<u>3,775</u>	<u>—</u>

At December 31, 2008, included in trade and other payables and accruals are retention payable of RMB89,997,000 (2007: RMB29,118,000) which are expected to be settled after more than one year.

Notes:

- (a) An ageing analysis of trade payables are set out as follows:

	<u>The Group</u>	
	<u>2008</u>	<u>2007</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Due within 1 month or on demand	585,569	243,090
Due after 1 year	89,997	29,118
	<u>675,566</u>	<u>272,208</u>

- (b) Amounts due to related companies and minority shareholders of the Group and amounts due to subsidiaries of the Company are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

25 RECEIPTS IN ADVANCE

Receipts in advance represented sale proceeds received from buyers in connection with pre-sale of properties. Under certain agreements with buyers of the properties of the Group, the Group agreed to lease-back the respective properties with put options from the buyers for a specific period, typically three years from the date of signing the sale agreements. Within one month after the expiry of the lease-back period, the buyers have the option to sell back the respective properties to the Group at agreed amounts. Accordingly, the related sales would not be recognized in the consolidated income statement until the expiry of the repurchase period. The annual rent for the lease-back properties were 7% – 8% of the relevant purchase price paid by the buyers and the related expenses were recorded as finance costs in the consolidated income statement (see note 5(a)).

At December 31, 2008, receipts in advance in relation to these sales amounted to RMB110,176,000 (2007: RMB279,857,000). During the year, upon the expiry of the repurchase period, total sales of RMB159,403,000 (2007: Nil) were recognized.

26 EQUITY SETTLED SHARE-BASED TRANSACTION

On May 14, 2008, the Company conditionally granted certain Pre-IPO share options to the Company’s directors, employees and consultants. The exercise of these share options would entitle five of the Company’s directors and ninety employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK\$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company’s share on the Stock Exchange. Under the Pre-IPO Share Option Scheme, no Pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable with the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the Listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(a) The number and exercise price of share options are as follows:

	2008	
	Exercise price	Number of options
Outstanding at January 1	—	—
Granted during the year	HK\$2.75	32,000,000
Lapsed during the year	HK\$2.75	(600,000)
Outstanding at December 31	HK\$2.75	<u>31,400,000</u>
Exercisable at December 31	HK\$2.75	<u>—</u>

The options outstanding at December 31, 2008 had an exercise price of HK\$2.75 and a weighted average remaining contractual life of 2.7 years.

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial (Coz, Ross, Rubinstein) model. The contractual life of the share option is used as an input into this model. Expectation of early exercise is incorporated into the binomial (Coz, Ross, Rubinstein) model.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

Fair value of share options and assumptions

Fair value at measurement date	HK\$0.8
Share price	HK\$2.75
Exercise price	HK\$2.75
Expected volatility	50%
Option life	1 year from different vesting periods
Expected dividends	4%
Risk-free interest rate	1.7% – 2.3%

The expected volatility is based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group			
	PRC Corporate Income Tax	PRC Land appreciation Tax	Withholding tax	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2007	(5,778)	4,473	—	(1,305)
Charged to the consolidated income statement (<i>Note 6(a)</i>)	107,915	53,132	—	161,047
Provisional tax paid	(102,747)	(39,063)	—	(141,810)
At December 31, 2007	(610)	18,542	—	17,932
At January 1, 2008	(610)	18,542	—	17,932
Charged to the consolidated income statement (<i>Note 6(a)</i>)	142,777	96,117	22,500	261,394
Acquisition of a subsidiary	—	(1,664)	—	(1,664)
Provisional tax paid	(112,427)	(85,913)	—	(198,340)
At December 31, 2008	29,740	27,082	22,500	79,322
			2008 RMB'000	2007 RMB'000
Representing:				
Tax payable			106,842	53,135
Prepaid tax			(27,520)	(35,203)
			79,322	17,932

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(b) The components of deferred tax assets/(liabilities) recognized in the consolidated balance sheet and the movements during the year as follows:

	The Group			
	Revaluation of properties	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2007	(30,421)	24,554	—	(5,867)
Credited to the consolidated income statement (<i>Note 6(a)</i>)	3,919	22,151	—	26,070
Additions through acquisitions of subsidiaries	(38,252)	972	—	(37,280)
At December 31, 2007	(64,754)	47,677	—	(17,077)
At January 1, 2008	(64,754)	47,677	—	(17,077)
Credited/(charged) to the consolidated income statement (<i>Note 6(a)</i>)	1,308	(47,677)	3,309	(43,060)
At December 31, 2008	(63,446)	—	3,309	(60,137)
			2008	2007
			RMB'000	RMB'000
Representing:				
Deferred tax liabilities			(63,446)	(64,754)
Deferred tax assets			3,309	47,677
			(60,137)	(17,077)

(c) Deferred tax assets not recognized

The Company has not recognized deferred tax assets in respect of cumulative tax losses of RMB67,835,000 (2007: RMB27,810,000) at December 31, 2008, as it is not probable that future taxable profits against which losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within 5 years.

28 CAPITAL AND RESERVES

(a) Share capital

- (i) The share capital at January 1, 2007 represented the share capital of Joy Ascend, the former holding company of the Group prior to the Listing.
- (ii) On August 8, 2007, CapitaLand LF (Cayman) Holdings Co., Ltd. (“CapitaLand (Cayman)”) subscribed for 1,329 new shares of Joy Ascend at a consideration of RMB500,000,000 of which RMB8,000 was credited to share capital and the remaining balance of RMB499,992,000 was credited to the share premium account of Joy Ascend.

On November 15, 2007, the Company was incorporated in the Cayman Islands with authorized share capital of HK\$1,000,000,000 divided into 10,000,000,000 ordinary shares with a nominal value of HK\$0.10 each. One nil-paid subscriber share of HK\$0.10 each was issued and allocated to Joy Bright Investments Limited (“Joy Bright”).

The share capital as at December 31, 2007 represented the aggregate of share capital of Joy Ascend and the Company.

- (iii) Pursuant to the Reorganization on May 14, 2008, the Company allotted and issued, in each case credited as fully paid, a total of 1,499,999,999 ordinary shares as to 944,246,819 ordinary shares to Joy Bright, as to

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

13,647,555 ordinary shares to Super Joy International Limited and as to 542,105,625 ordinary shares to CapitalLand (Cayman), and credited as fully paid at par the initial one subscriber share already allotted to Joy Bright, in consideration for the acquisition of each of their respective shareholding interests in Joy Ascend.

- (iv) On June 6, 2008, the Company issued 500,000,000 shares with par value of HK\$0.10 each at a price of HK\$2.75 per share by way of a global initial public offering to Hong Kong and overseas investors upon the Listing. The Group raised approximately HK\$1,259,862,000 (equivalent to RMB1,121,322,000) in total net of related expenses from the share offer.
- (v) The share capital at December 31, 2008 is as follows:

	No. of shares	Amount
	'000	HK\$'000
Authorized:		
Ordinary shares of HK\$0.1 each	10,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each	2,000,000	200,000
		'000
	RMB equivalent	179,637

(b) Reserves

Name nature and purpose of reserves

(i) Share premium

Share premium at January 1, 2007 and December 31, 2007 represented share premium of Joy Ascend while share premium at December 31, 2008 represented share premium of the Company (see notes 28(a)(ii),(iii) and (iv)).

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisitions of additional interests in subsidiaries from minority shareholders and the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares issued by the Group in exchange thereafter.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(u).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the Pre-IPO share option scheme as set out in note 26.

(vi) Distributability of reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is by reference to the profits as reflected in their PRC statutory financial statements prepared in accordance with PRC GAAP. These profits differ from those reflected in this report, which are determined in accordance with HKFRSs.

The Company was incorporated on November 15, 2007 and did not have any distributable reserves at December 31, 2007. The aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2008 was RMB209,761,000, excluding the share premium as disclosed in note 28(b)(i) above. After the balance sheet date, the directors proposed a final dividend of HK\$11 cents (equivalent to RMB9.69 cents) per ordinary share (2007: Nil), amounting to RMB193,800,000 (2007: Nil). This dividend has not been recognized as a liability at the balance sheet date.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

(vii) Reserve of the Company

	Note	Share premium RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At November 15, 2007 (date of incorporation)/December 31, 2007 . . .		—	—	—	—	—
At January 1, 2008		—	—	—	—	—
Profit for the year		—	—	—	209,761	209,761
Exchange difference on translation of financial statements		—	(6,587)	—	—	(6,587)
Issue of new shares	28(a)(iv)	1,076,820	—	—	—	1,076,820
Equity settled share-based payment	28(b)(v)	—	—	6,604	—	6,604
At December 31, 2008		<u>1,076,820</u>	<u>(6,587)</u>	<u>6,604</u>	<u>209,761</u>	<u>1,286,598</u>

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by equity attributable to the shareholders of the Company. Net debt is calculated as total bank and other loans less cash and cash equivalents and restricted bank deposits secured against bank loans.

The gearing ratio at December 31, 2008 and 2007 was as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Current liabilities		
— Bank loans	488,790	1,001,273
— Other loans	123,950	—
	612,740	1,001,273
Non-current liabilities		
— Bank loans	444,417	248,000
— Other loans	36,790	136,430
	481,207	384,430
Total debt	1,093,947	1,385,703
Less: Cash and cash equivalents	(927,721)	(399,602)
Restricted bank deposits secured against bank loans	(100,000)	(190,000)
Net debt	66,226	796,101
Total equity attributable to equity shareholders of the Company	2,940,132	1,330,287
Gearing ratio	2.3%	59.8%

29 FINANCIAL INSTRUMENTS

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and other loans disclosed in notes 22 and 23 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

At December 31, 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit and total equity by approximately RMB6,044,000 (2007: RMB10,153,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2007.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(b) Credit risk

In respect of trade receivables of mortgage sales, no credit terms will be granted to the purchasers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such purchasers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate. If there is default in payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the installment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

	2008				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	933,207	1,001,546	541,388	439,708	20,450
Other loans	160,740	170,711	133,013	37,698	—
Trade and other payables and accruals	1,940,923	1,940,923	1,850,926	37,781	52,216
Tax payable	106,842	106,842	106,842	—	—
	<u>3,141,712</u>	<u>3,220,022</u>	<u>2,632,169</u>	<u>515,187</u>	<u>72,666</u>

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

	2007				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	1,249,273	1,307,841	1,056,659	251,182	—
Other loans	136,430	181,728	2,520	145,689	33,519
Trade and other payables and accruals	1,335,943	1,335,943	1,306,825	11,804	17,314
Tax payable	53,135	53,135	53,135	—	—
	<u>2,774,781</u>	<u>2,878,647</u>	<u>2,419,139</u>	<u>408,675</u>	<u>50,833</u>

(d) Foreign exchange risk

The Group is exposed to currency risk primarily through bank deposits and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars and United States Dollars.

The following table details the Group's exposure at December 31, 2008 to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group			
	2008		2007	
	United States Dollars	Hong Kong Dollars	United States Dollars	Hong Kong Dollars
	'000	'000	'000	'000
Cash and cash equivalents	147	72	154	41,189
Bank loans	—	—	(13,000)	(60,000)
Overall net exposure	<u>147</u>	<u>72</u>	<u>(12,846)</u>	<u>(18,811)</u>

A reasonably possible change of 5% (2007: 5%) in the foreign exchange rate of Hong Kong Dollars and United States Dollars against RMB would not have a material impact on the Group's profit and total equity.

(e) Fair value

Unlisted investments for which their fair values cannot be reliably measured are stated at cost less impairment losses. The fair values of the other financial assets and liabilities are considered to approximate their carrying amounts.

30 COMMITMENTS

(a) Capital commitments outstanding at December 31, 2008 not provided for in the financial statements were as follows:

	2008	2007
	RMB'000	RMB'000
Authorized but not contracted for	7,955,669	4,930,150
Contracted but not provided for	1,695,217	628,666
	<u>9,650,886</u>	<u>5,558,816</u>

Capital commitments mainly related to land and development costs for the Group's properties under development and investment in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(b) Commitments for operating leases

At December 31, 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<u>2008</u>	<u>2007</u>
	RMB'000	RMB'000
Within 1 year	772	1,185
After 1 year but within 5 years	1,618	1,607
After 5 years	662	662
	<u>3,052</u>	<u>3,454</u>

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the purchasers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at December 31, 2008 is as follows:

	<u>2008</u>	<u>2007</u>
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>1,690,351</u>	<u>1,476,321</u>

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group has not applied for individual building ownership certificates for these purchasers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognized any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default on their mortgage payments.

32 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008, major related party transactions entered by the Group are as follows:

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		RMB'000	RMB'000
Sales of properties	(a)	296,173	—
Rental expenses	(b)	461	523
Football sponsorship expenses	(c)	—	12,000

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

- (a) During the year, the Group sold commercial properties at a consideration of RMB296,173,000 (2007: Nil) to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company. The unsettled amount at December 31, 2008 amounted to RMB88,851,000 (note 19). The outstanding amount is unsecured, interest free and recoverable on demand.
- (b) The amount represented rental expenses for the office of the Group paid to a related company, in which Mr. Wu Po Sum has significant interest.
- (c) The amount in 2007 represented a sponsor fee paid to a former related company in which Mr. Wu Po Sum was a director. The company was no longer a related party of the Group after the resignation as a director by Mr. Wu Po Sum in December 2007.

33 ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition during the year ended December 31, 2008

On May 11, 2007 and February 24, 2008, the Group entered into a cooperation development and equity interest transfer agreement (“the Cooperation Agreement”), and a supplemental agreement to the Cooperation Agreement pursuant to which Artstar, in which the Group has a 65% interest, agreed to acquire a 100% equity interest in Luoyang Zhongya, which holds a property development project in Luoyang, through acquisition of Country Star at a consideration of RMB350 million. Upon completion of the transaction on June 30, 2008, the Group has an indirect 65% equity interest in Luoyang Zhongya and Country Star.

The acquisition had the following effect on the Group’s assets and liabilities:

	<u>Carrying amount</u>	<u>Adjustments</u>	<u>Recognized values on acquisitions</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Property, plant and equipment	660	—	660
Trade and other receivables	20,413	—	20,413
Deposits and prepayment	105,370	—	105,370
Prepaid tax	1,664	—	1,664
Properties for sale	133,943	299,357	433,300
Cash and cash equivalents	51,155	—	51,155
Receipts in advance	(142,946)	—	(142,946)
Trade and other payables and accruals	(119,616)	—	(119,616)
Net identifiable assets and liabilities	<u>50,643</u>	<u>299,357</u>	<u>350,000</u>
Consideration paid			350,000
Cash and cash equivalents acquired			<u>(51,155)</u>
Net cash outflow			<u>298,845</u>

Since the date of the acquisition, Luoyang Zhongya and Country Star did not have significant impact on the Group’s net profit.

(b) Acquisitions during the year ended December 31, 2007

On May 11, 2007, the Group acquired 65% equity interest in Artstar, an investment holding company, from Mr. Wu Po Sum and Mr. Wang Tianye at a consideration of US\$65.

On October 10, 2007, the Group acquired 60% equity interest in CCRE St. Andrews, a real estate development company, from an independent third party at a consideration of RMB50,000,000.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

On December 7, 2007, the Group acquired the remaining 50% equity interest in CCRE Zhongyuan, a former jointly controlled entity, from an independent third party at a consideration of RMB43,450,000 satisfied by cash. After the acquisition, CCRE Zhongyuan became a wholly owned subsidiary of the Group.

The acquisitions had the following effect on the Group's assets and liabilities during the year ended December 31, 2007:

	<u>Carrying amount</u>	<u>Adjustments</u>	<u>Recognized values on acquisitions</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Property, plant and equipment	124	—	124
Deferred tax assets	972	—	972
Trade and other receivables	20,876	—	20,876
Deposits and prepayments	13,392	101,184	114,576
Property for sales	15,473	51,825	67,298
Cash and cash equivalents	10,870	—	10,870
Trade and other payables and accruals	(6,230)	—	(6,230)
Deferred tax liabilities	—	(38,252)	(38,252)
Interest in a jointly controlled entity	(24,015)	(19,435)	(43,450)
Minority interests	(2,978)	(30,356)	(33,334)
Net identifiable assets and liabilities	<u>28,484</u>	<u>64,966</u>	<u>93,450</u>
Consideration paid			93,450
Cash acquired			<u>(10,870)</u>
Net cash outflow			<u>82,580</u>

34 CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgments used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Impairment provision for investment properties under development and construction in progress

As explained in notes 2(g) and 2(h)(ii), the Group makes impairment provision for the above properties taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgment and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(b) Provision for completed properties held for sale and properties held for future development and under development for sale

As explained in note 2(k), the Group's completed properties held for sale and properties held for future development and under development for sale are stated at the lower of cost and net realizable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realizable value will decrease and this may result in provision for completed properties held for sale and properties held for future development and under development for sale. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(e) PRC Corporate Income Tax and PRC Land Appreciation Tax

As explained in note 6, the Group is subject to PRC Corporate Income Tax and PRC Land Appreciation Tax under both authorized taxation method or audited taxation method in different jurisdictions. Significant judgment is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

35 NON-ADJUSTING POST-BALANCE SHEET EVENT

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 10.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's or the Company's results of operations and financial position.

HKFRS 8, "Operating Segments" and HKAS 1 (revised 2007), "Presentation of financial statements," which are effective for annual periods beginning on or after January 1, 2009, are expected to result in amended disclosures in the consolidated financial statements, including restatement of comparative amounts in the first year of adoption.

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