本公佈並不構成在美國或任何其他司法權區提呈出售建議或招攬購買任何證券之建議，倘未根據任何該等司法權區之證券法辦理登記或未獲批准而於上述地區進行上述建議、招攬或出售即屬違法。倘無登記或獲適用豁免登記規定，證券不得在美國提呈或出售。於美國公開發售任何證券將須以招股章程形式作出。該招股章程將載有關於提呈發售之公司以及其管理及財務報表之詳細資料。本公司無意於美國進行證券公開發售。

SHIMAO PROPERTY HOLDINGS LIMITED
世茂房地產控股有限公司

(於開曼群島註冊成立之有限公司)

(股份代號：813)

建議發行優先票據

本公司擬進行擔保優先票據之國際發售。有關是次發售，本公司將向若干機構投資者提供本集團近期之企業及財務資料，包括本集團之前可能未有公開之最新風險因素、管理層討論及分析、物業項目簡介、關連方交易及債務資料。本公佈載有本公司認為對本公司運營而言屬重大之最新資料概要，及隨附該等近期資料之節錄，並大約於向機構投資者發放有關資料之同時在本公司網頁www.shimaoproperty.com可供查閱。

建議發行票據之完成須視乎市況及投資者興趣而定。Morgan Stanley及渣打作為聯席牽頭經辦人兼聯席賬簿管理人，負責經辦建議發行票據。本公司擬應用發行票據所得款項為贖回其2006年浮息票據的未償還本金額提供資金及償還其他現有債務、為現有及新增物業發展項目(包括土地溢價及建築費用)提供資金及作一般企業用途，以提升本集團資金流通狀況。本公司或會因應市況變化而調整先前計劃，並因而根據本公司需求重新調配所得款項用途。

本公司原則上已獲批准將票據於新加坡交易所上市。准許於新加坡交易所正式上市及任何票據在新加坡交易所報價並不視為本公司或票據之價值指標。

由於截至本公佈日期並無就建議發行票據訂立具約束力協議，建議發行票據可能或不可能落實。本公司之投資者及股東於買賣本公司證券時務請謹慎行事。倘簽署購買協議，本公司將就建議發行票據另行發表公佈。

建議發行票據

緒言

本公司擬進行擔保優先票據之國際發售。有關是次發售，本公司將向若干機構投資者提供本集團近期之企業及財務資料，包括本集團之前可能未有公開之最新風險因素、管理層討論及分析、物業項目簡介、關連方交易及債務資料。本公佈載有本公司認為對本公司運營而言屬重大之最新資料概要，及隨附該等近期資料之節錄，並大約於向機構投資者發放有關資料之同時在本公司網頁www.shimaoproperty.com可供查閱。

建議發行票據之完成須視乎市況及投資者興趣而定。Morgan Stanley及渣打作為聯席牽頭經辦人兼聯席賬簿管理人，負責經辦建議發行票據。票據將僅會根據證券法項下S規例於美國境外以要約形式發售。票據概不會向香港公眾人士發售。

進行建議發行票據之原因

本集團為中國優質房地產項目之大型發展商及擁有者。本集團致力於發展中高端住宅、零售及辦公樓物業以作銷售，亦發展具吸引力及處於優越位置之酒店、零售及辦公樓物業以持有作長期投資用途。本集團在上海、北京、杭州、蘇州、南京、福州及其他中國快速增長之城市擁有推廣房地產項目之成功往績記錄。本集團相信，此等往績記錄連同其「世茂」品牌之高認受性，令我們具備更佳條件繼續在中國各城市建造及推廣房地產項目。本集團旨在繼續於中國各主要城市及經濟區發展為一家領先物業發展商及投資者，透過持續提升「世茂」品牌、建造創新產品及發展市場領先物業、追求物業多元化及增加投資物業及酒店之比例，以達致收益組合平衡，並以嚴謹之方式擴展業務營運及土地儲備。

進行建議發行票據乃為贖回其2006年浮息票據的未償還本金額提供資金及償還其他現有債務、為現有及新增物業發展項目(包括土地溢價及建築費用)提供資金及作一般企業用途，以提升本集團資金流通狀況。本公司或會因應市況變化而調整先前計劃，並因而重新調配所得款項用途。

上市

本公司原則上已獲批准將票據於新加坡交易所上市。准許於新加坡交易所正式上市及任何票據在新加坡交易所報價並不視為本公司或票據之價值指標。本公司並無於香港尋求票據上市。

一般事項

由於截至本公佈日期並無就建議發行票據訂立具約束力協議，建議發行票據可能或不可能落實。本公司之投資者及股東於買賣本公司證券時務請謹慎行事。

倘簽署購買協議，本公司將就建議發行票據另行發表公佈。

有關本集團之最新資料

業務概覽

我們是中國優質房地產項目之大型發展商及擁有者。我們致力於發展中高端住宅、零售及辦公樓物業以作銷售，亦發展具吸引力及處於優越位置之酒店、零售及辦公樓物業以持有作長期投資用途。我們在上海、北京、杭州、蘇州、南京、福州及其他快速增長之中國城市擁有推廣房地產項目之成功往績記錄。我們相信，此等往績記錄連同我們「世茂」品牌之高認受性，令我們具備更佳條件繼續在中國各城市建造及推廣房地產項目。我們旨在繼續於中國各主要城市及經濟區發展為一家領先物業發展商及投資者，透過持續提升「世茂」品牌、建造創新產品及發展市場領先物業、追求物業多元化及增加投資物業及酒店之比例，以達致收益組合平衡，並以嚴謹之方式擴展業務營運及土地儲備。

截至2010年6月30日，我們擁有合共52個處於不同發展階段之項目，位於長江三角洲地區、環渤海地區、台灣海峽西岸及其他經濟高速發展區域之29個城市。截至2010年6月30日，我們擁有估計權益總建築面積約31.1百萬平方米之土地儲備，包括已竣工但未售出或持有作投資的物業發展項目權益總建築面積約1.2百萬平方米、發展中項目權益總建築面積約6.8百萬平方米及權益規劃總建築面積約23.1百萬平方米之持作未來發展物業。截至2010年6月30日，我們持作未來發展之項目包括權益規劃總建築面積約8.4百萬平方米，我們尚未就此取得土地使用權證，但已訂立土地出讓合同或已取得土地出讓確認函並正在申請相關土地使用權。截至2010年6月30日，我們土地儲備的平均土地成本約為每平方米人民幣1,496元。我們相信，相對較低之土地成本將令我們日後繼續取得高利潤率。

此外，於2010年6月30日之後，我們收購了若干地塊(包括我們與合營夥伴共同發展項目的地塊)，規劃總建築面積約為7.1百萬平方米(不包括亞運城項目)，其中約3.5百萬平方米(不包括亞運城項目)為我們的權益面積，我們尚未就此取得土地使用權證，但已訂立土地出讓合同或已取得土地出讓確認函並正在申請相關土地使用權。該等地塊包括位於天津、惠州、福州、長沙及成都的發展地盤。我們亦於就發展亞運城項目之亞運合營公司中擁有少數股權。

我們的業務組合包括供出售之優質住宅、零售及辦公樓物業，亦包括持有作長期投資用途之高端酒店、零售及辦公樓物業，其中包括上海世茂皇家艾美酒店及其零售平台、上海世茂國際廣場，上海外灘茂悅大酒店、上海世茂佘山艾美酒店、北京世茂大廈及牡丹江世茂假日酒店。截至2009年12月31日止年度，我們收益之95.0%源自物業銷售，而5.0%源自我們的酒店經營及投資物業租賃。截至2010年6月30日止六個月，我們收益之93.9%源自物業銷售，而6.1%源自我們的酒店經營、投資物業租賃及其他業務。

我們相信過往能取得佳績，部分有賴於我們洞悉中國社會經濟政策及發展趨勢。我們能夠識別相對發展較快之市場，例如北京、上海、長江三角洲地區及環渤海地區，並已及時進入該等市場。我們相信這使我們能以合理成本在優越地段(或我們預期稍後將成為優越地段之位置)獲取土地。展望未來，我們擬繼續審慎及有策略地增加土地儲備。尤其是，我們計劃於我們認為增長潛能巨大之二線及三線城市拓展業務。

截至2007年、2008年及2009年12月31日止三個年度以及截至2010年6月30日止六個月，我們的收益分別為人民幣92.759億元、人民幣71.963億元、人民幣170.321億元(25.116億美元)及人民幣100.245億元(14.782億美元)，以及本公司股權持有人應佔溢利分別為人民幣40.918億元、人民幣8.412億元、人民幣35.112億元(5.178億美元)及人民幣21.098億元(3.111億美元)。

已交付建築面積及平均實際售價之明細分析

下表載列截至2009年12月31日止三個年度以及截至2009年及2010年6月30日止六個月之已交付建築面積及每平方米平均實際售價(按來自物業發展項目之收益除以已售建築面積計算)之明細分析：

	截至12月31日止年度						截至6月30日止六個月			
	2007年		2008年		2009年		2009年		2010年	
	建築面積 (平方米)	*平均實際售價 (人民幣元)*	*建築面積 (平方米)*	*平均實際售價 (人民幣元)*	*建築面積 (平方米)*	*平均實際售價 (人民幣元)*	*建築面積 (平方米)*	*平均實際售價 (人民幣元)*	*建築面積 (平方米)*	*平均實際售價 (人民幣元)*
北京世茂奧臨花園	153,219	19,906	20,879	27,396	668	17,964	621	11,272	240	8,333
武漢世茂錦繡長江	149,450	9,374	34,089	9,299	138,049	7,664	102,406	7,128	3,996	9,009
紹興世茂迪蕩新城	132,310	8,170	5,045	10,109	40,201	8,408	10,208	6,759	88,041	8,155
哈爾濱世茂濱江新城	125,417	4,234	126,278	4,411	236,554	4,413	124,010	3,443	13,380	6,054
常熟世茂世紀中心	97,338	7,818	119,209	7,164	141,721	5,962	44,470	6,454	95,417	7,745
昆山世茂蝶湖灣	88,372	7,208	77,060	7,890	99,127	6,075	41,490	4,724	141,790	7,039
上海世茂佘山莊園	20,963	34,871	24,714	47,180	11,104	41,050	6,366	35,815	18	不適用[1]
上海世茂濱江花園	13,761	31,902	439	107,062	65,288	40,380	443	9,029	4,358	74,117
昆山世茂東壹號新城	–	–	61,556	5,231	194,967	5,189	38,501	5,662	174	11,494
杭州世茂江濱花園	–	–	61,793	7,978	156,230	8,392	74,763	7,343	53,796	9,332
上海世茂愛馬尚郡	–	–	5,092	8,248	67,030	8,802	32,549	8,111	6,396	11,726
蕪湖世茂濱江花園	–	–	86,849	7,507	71,103	7,447	46,083	7,747	14,147	7,281
福州世茂天城	–	–	6,477	20,997	112,113	15,308	22,608	14,862	103,150	13,718
瀋陽世茂五里河	–	–	1,681	40,452	20,539	9,447	8,625	4,406	138,207	8,104
蘇州世茂運河城	–	–	57,556	6,237	104,878	7,249	26,758	6,465	126,327	8,913
嘉興世茂新城	–	–	–	–	58,154	3,938	31,185	3,527	1,656	5,435
常州世茂香檳湖	–	–	–	–	163,279	7,545	74,720	6,799	87,938	6,414
南京世茂外灘新城	105,806	10,774	6,999	13,002	25,547	10,718	2,632	12,918	74,266	16,077
福州世茂外灘花園	6,142	20,840	1,516	15,172	4,459	10,107	4,158	9,139	–	–
煙台世茂海灣一號	–	–	–	–	47,411	11,537	–	–	10,730	12,116
徐州世茂東都	–	–	–	–	99,656	5,148	–	–	8,288	6,274
泰州世茂河濱花園	–	–	–	–	51,611	3,895	–	–	29,619	4,220
寧波世茂世界灣	–	–	–	–	5,856	14,173	–	–	5,535	12,466

附註：

1. 截至2010年6月30日止六個月，本公司就銷售上海世茂佘山莊園確認收益人民幣2,900萬元。該項收益包括於2010年上半年退回莊園物業之重售收益。因此，按已確認收益除以已售建築面積計算之平均實際售價並無意義。

經營業績

下表載列截至2009年及2010年6月30日止六個月之已售建築面積及各項目銷售收益：

	截至6月30日止六個月				
	2009年		2010年		
	建築面積（平方米）	*人民幣（百萬元）*	*建築面積（平方米）*	*人民幣（百萬元）*	*美元（百萬）*
我們所持項目（100%綜合）					
北京世茂奧臨花園	621	7	240	2	0.3
武漢世茂錦繡長江	102,406	730	3,996	36	5
紹興世茂迪蕩新城	10,208	69	88,041	718	106
哈爾濱世茂濱江新城	124,010	427	13,380	81	12
常熟世茂世紀中心	44,470	287	95,417	739	109
昆山世茂蝶湖灣	41,490	196	141,790	998	147
上海世茂佘山莊園	6,366	228	18	29	4
上海世茂濱江花園	443	4	4,358	323	48
昆山世茂東壹號新城	38,501	218	174	2	0.3
杭州世茂江濱花園	74,763	549	53,796	502	74
上海世茂愛馬尚郡	32,549	264	6,396	75	11
蕪湖世茂濱江花園	46,083	357	14,147	103	15
福州世茂天城	22,608	336	103,150	1,415	209
瀋陽世茂五里河	8,625	38	138,207	1,120	165
蘇州世茂運河城	26,758	173	126,327	1,126	166
嘉興世茂新城	31,185	110	1,656	9	1
常州世茂香檳湖	74,720	508	87,938	564	83
南京世茂外灘新城(1)	2,632	34	74,266	1,194	176
福州世茂外灘花園(1)	4,158	38	–	5	0.7
煙台世茂海灣一號	–	–	10,730	130	19
徐州世茂東都	–	–	8,288	52	8
泰州世茂河濱花園	–	–	29,619	125	18
寧波世茂世界灣	–	–	5,535	69	10
小計(a)	692,596	4,573	1,007,469	9,417	1,389

	截至6月30日止六個月				
	2009年		2010年		
	建築面積 (平方米)	*人民幣 (百萬元)*	*建築面積 (平方米)*	*人民幣 (百萬元)*	*美元 (百萬)*
聯營公司所持項目					
南京世茂外灘新城[1]	20,453	205	–	–	–
福州世茂外灘花園[1]	301	4	–	–	–
小計(b)	20,754	209	–	–	–
小計(c)-可歸屬	10,377	104	–	–	–
合計(a) + (b)	713,350	4,782	1,007,469	9,417	1,389
合計(a) + (c)	702,973	4,677	1,007,469	9,417	1,389

附註：

1. 截至2009年5月31日止五個月，本集團應佔持有南京世茂外灘新城及福州世茂外灘花園之聯營公司收益，並無於綜合財務報表中入賬。於完成收購上海世茂股份有限公司及上海世茂企業發展有限公司後，此等聯營公司已成為本集團之附屬公司，而其後之收益已入賬至本集團之綜合財務報表。

下表載列2008年及2009年之已售建築面積及各項目銷售收益：

	2008年		2009年		
	建築面積 (平方米)	*人民幣 (百萬元)*	*建築面積 (平方米)*	*人民幣 (百萬元)*	*美元 (百萬)*
我們所持項目（100%綜合）					
北京世茂奧臨花園	20,879	572	668	12	2
武漢世茂錦繡長江[1]	34,089	317	138,049	1,058	156
紹興世茂迪蕩新城	5,045	51	40,201	338	50
哈爾濱世茂濱江新城	126,278	557	236,554	1,044	154
常熟世茂世紀中心	119,209	854	141,721	845	125
昆山世茂蝶湖灣	77,060	608	99,127	602	89
上海世茂佘山莊園	24,714	1,166	11,104	456	67
上海世茂濱江花園	439	47	65,288	2,636	389
昆山世茂東壹號新城	61,556	322	194,967	1,011	149
杭州世茂江濱花園	61,793	493	156,230	1,311	193
上海世茂愛馬尚郡	5,092	42	67,030	590	87

	2008年		2009年		
	建築面積 (平方米)	人民幣 (百萬元)	建築面積 (平方米)	人民幣 (百萬元)	美元 (百萬)
蕪湖世茂濱江花園	86,849	652	81,940	694	102
福州世茂天城	6,477	136	112,113	1,713	253
瀋陽世茂五里河	1,681	68	20,539	194	29
蘇州世茂運河城	57,556	359	104,878	760	112
嘉興世茂新城	–	–	58,154	229	34
常州世茂香檳湖	–	–	163,279	1,232	182
南京世茂外灘新城(2)	–	–	5,094	69	10
福州世茂外灘花園(2)	–	–	4,158	41	6
煙台世茂海灣一號	–	–	47,411	547	81
徐州世茂東都	–	–	99,656	513	76
泰州世茂河濱花園	–	–	51,611	201	30
寧波世茂世界灣	–	–	5,856	83	12
小計(a)	688,717	6,244	1,905,628	16,179	2,386
聯營公司所持項目					
南京世茂外灘新城(2)	6,999	91	20,453	205	30
福州世茂外灘花園(2)	1,516	23	301	4	1
小計(b)	8,515	114	20,754	209	31
小計(c)－可歸屬	4,258	57	10,377	105	15
合計(a) + (b)	697,232	6,358	1,926,382	16,388	2,417
合計(a) + (c)	692,975	6,301	1,916,005	16,284	2,401

附註：

1. 截至2009年11月30日止期間之應佔權益為70.01%，而向少數股東收購項目公司之額外股份後，於2009年餘下期間之應佔權益為96.05%。就賬目處理而言，我們已綜合武漢世茂錦繡長江產生之100%收益。

2. 截至2009年5月31日止五個月，本集團應佔持有南京世茂外灘新城及福州世茂外灘花園之聯營公司收益，並未於綜合財務報表中綜合入賬。於完成收購上海世茂股份有限公司後，此等聯營公司已成為本集團之附屬公司，而由2009年6月1日起至12月31日止期間之收益已綜合入賬至本集團之綜合財務報表。

下表載列2007年及2008年之已售建築面積及各項目銷售收益：

	2007年		2008年	
	建築面積（平方米）	*人民幣（百萬元）*	*建築面積（平方米）*	*人民幣（百萬元）*
我們所持項目（100%綜合）				
北京世茂奧臨花園	153,219	3,050	20,879	572
武漢世茂錦繡長江[1]	149,450	1,401	34,089	317
紹興世茂迪蕩新城	132,310	1,081	5,045	51
哈爾濱世茂濱江新城	125,417	531	126,278	557
常熟世茂世紀中心	97,338	761	119,209	854
昆山世茂蝶湖灣	88,372	637	77,060	608
上海世茂佘山莊園	20,963	731	24,714	1,166
上海世茂濱江花園	13,761	439	439	47
昆山世茂東壹號新城	–	–	61,556	322
杭州世茂江濱花園	–	–	61,793	493
上海世茂愛馬尚郡	–	–	5,092	42
蕪湖世茂濱江花園	–	–	86,849	652
福州世茂天城	–	–	6,477	136
瀋陽世茂五里河	–	–	1,681	68
蘇州世茂運河城	–	–	57,556	359
小計(a)	780,830	8,631	688,717	6,244
聯營公司所持項目				
南京世茂外灘新城[2]	105,806	1,140	6,999	91
福州世茂外灘花園[2]	6,142	128	1,516	23
小計(b)	111,948	1,268	8,515	114
小計(c)－可歸屬	55,974	634	4,258	57
合計(a) + (b)	892,778	9,899	697,232	6,358
合計(a) + (c)	836,804	9,265	692,975	6,301

附註：

1. 應佔權益為70.01%。就賬目處理而言，我們已綜合武漢世茂錦繡長江之100%收益。
2. 本集團應佔持有南京世茂外灘新城及福州世茂外灘花園之聯營公司收益，並未於經審核綜合財務報表中綜合入賬。

項目資料

截至2010年6月30日，我們的物業發展項目組合包括52個處於不同發展階段之項目，位於中國29個城市，包括上海、北京、南京、昆山、常熟、蘇州、無錫、常州、徐州、泰州、杭州、紹興、嘉興、寧波、煙台、青島、天津、大連、武漢、蕪湖、咸陽、哈爾濱、瀋陽、成都、牡丹江、福州及廈門。我們將本身物業發展項目分為三類：(i)已竣工物業發展項目；(ii)發展中物業；及(iii)持作未來發展物業。由於我們的項目一般由不斷發展之多階段發展項目組成，因此單一項目可能包括處於竣工、發展中或持作未來發展等不同階段之不同期數。截至2010年6月30日，按我們於52個項目之權益建築面積計算，我們擁有已竣工但未售出物業發展項目約1.2百萬平方米、發展中物業約6.8百萬平方米及持作未來發展物業約23.1百萬平方米，其中包括權益規劃總建築面積約8.4百萬平方米，我們尚未就此取得土地使用權證，但已訂立土地出讓合同或已取得土地出讓確認函並正在申請相關土地使用權。此外，於2010年6月30日之後，我們收購了若干地塊(包括我們與合營夥伴共同發展項目的地塊)，規劃總建築面積約為7.1百萬平方米(不包括亞運城項目)。

下表載列截至2010年6月30日按項目劃分我們於52個物業發展項目之權益。

編號	項目名稱	地點	整個項目總建築面積[1] *(平方米)*	已竣工但未售出／持作投資或酒店管理之建築面積 *(平方米)*	發展中建築面積 *(平方米)*	持作未來發展之建築面積：規劃建築面積[3] *(平方米)*	持作未來發展之建築面積：尚未取得土地使用權[3] *(平方米)*	我們應佔權益
長江三角洲								
1	上海世茂濱江花園	上海	921,956	31,250	100,001	51,858	－	100%
2	上海世茂國際廣場及上海世茂皇家艾美酒店	上海	170,935	170,935	－	－	－	100%
3	上海世茂佘山莊園及上海世茂佘山艾美酒店	上海	146,514	71,731	－	－	－	100%
4	上海外灘茂悅大酒店	上海	100,972	100,972	－	－	－	100%
5	上海世茂新體驗	上海	550,765	－	55,059	249,941	－	64%
6	上海世茂愛馬尚郡	上海	351,200	3,432	143,857	116,470	－	100%
7	南京世茂外灘新城	南京	1,925,978	28,563	181,821	1,551,743	868,447	82%
8	昆山世茂蝶湖灣	昆山	1,222,077	41,270	387,274	180,376	－	100%

編號	項目名稱	地點	整個項目總建築面積[1] (平方米)	已竣工但未售出／持作投資或酒店管理之建築面積 (平方米)	發展中建築面積 (平方米)	持作未來發展之建築面積：規劃建築面積[3] (平方米)	持作未來發展之建築面積：尚未取得土地使用權[3] (平方米)	我們應佔權益
9	昆山世茂東壹號							
	新城(住宅)	昆山	1,137,744	30,175	450,290	385,145	–	100%
	昆山世茂國際城(商業)	昆山	191,440	–	94,048	97,392	–	64%
10	昆山世茂廣場	昆山	97,046	–	88,249	8,797	–	64%
11	常熟世茂世紀中心(住宅)	常熟	993,495	271,339	149,402	542,679	–	100%
	常熟世茂世紀中心(商業)	常熟	981,505	27,337	433,933	931,911	–	64%
12	蘇州世茂運河城(住宅)	蘇州	1,243,911	23,958	406,688	551,344	–	100%
	蘇州世茂運河城(商業)	蘇州	256,089	–	104,266	101,157	–	64%
13	無錫交通世茂項目(住宅)	無錫	1,226,600	–	–	1,226,600	981,280	78%
	無錫交通世茂項目(商業)	無錫	173,400	–	–	173,400	173,400	40%
14	常州世茂香檳湖(住宅)	常州	1,160,400	26,251	180,000	620,510	–	100%
	常州世茂香檳湖(商業)	常州	339,600	–	–	339,600	–	64%
15	徐州世茂東都(住宅)	徐州	1,080,000	487	110,000	856,302	144,972	100%
	徐州世茂東都(商業)	徐州	220,000	–	–	220,000	–	64%
16	泰州世茂河濱花園	泰州	400,000	3,064	89,954	217,440	–	100%
17	杭州世茂江濱花園	杭州	718,840	3,413	367,519	–	–	100%
18	杭州世茂江濱I	杭州	608,986	–	–	608,986	–	50%
19	杭州世茂江濱II	杭州	281,687	–	–	281,687	–	50%
20	杭州世茂余杭項目	杭州	180,000	–	–	180,000	128,502	100%
21	杭州世茂余杭項目II	杭州	213,000	–	–	213,000	213,000	100%
22	杭州世茂下沙商業項目	杭州	111,832	–	–	111,832	55,916	64%
23	紹興世茂迪蕩新城(住宅)	紹興	1,032,483	73,644	646,851	166,091	–	100%
	紹興世茂迪蕩新城(商業)	紹興	269,217	–	267,015	2,202	–	64%
24	嘉興世茂新城(住宅)	嘉興	783,000	1,657	80,898	609,626	–	100%
	嘉興世茂新城(商業)	嘉興	267,000	–	–	267,000	–	64%
25	寧波世茂世界灣	寧波	700,000	2,743	472,867	227,999	–	100%
26	寧波北崙春曉項目	寧波	480,000	–	–	480,000	–	100%
27	蕪湖世茂濱江花園(住宅)	蕪湖	476,105	2,924	150,810	106,195	–	100%
	蕪湖世茂濱江花園(商業)	蕪湖	254,880	27,119	53,085	54,124	–	64%
環渤海								
28	北京世茂奧臨花園	北京	299,853	1,433	–	–	–	100%
29	北京世茂大廈	北京	70,175	70,175	–	–	–	64%
30	北京世茂工三廣場	北京	212,000	–	212,000	–	–	64%
31	北京世茂宮園	北京	48,625	–	–	48,625	–	100%

編號	項目名稱	地點	整個項目總建築面積(1) (平方米)	已竣工但未售出／持作投資或酒店管理建築面積 (平方米)	發展中建築面積 (平方米)	持作未來發展之建築面積 規劃建築面積(3) (平方米)	持作未來發展之建築面積 尚未取得土地使用權(3) (平方米)	我們應佔權益
32	天津世茂生態城	天津	79,726	–	–	79,726	–	75%
33	青島高新區項目	青島	1,394,000	–	–	1,394,000	689,891	100%
34	青島世奧大廈	青島	240,000	–	–	240,000	168,000	48%
35	煙台世茂海灣一號	煙台	280,000	69,564	42,641	–	–	100%
36	大連旅順口世茂項目	大連	1,600,000	–	–	1,600,000	1,181,520	85%
37	大連旅順口世茂項目II	大連	668,264	–	–	668,264	333,531	50%
38	大連金州區世茂嘉年華I	大連	1,300,000	–	–	1,300,000	579,800	100%
	大連金州區世茂嘉年華II	大連	700,000	–	–	700,000	278,884	100%
39	瀋陽世茂五里河(住宅)	瀋陽	820,000	–	622,316	197,684	–	100%
	瀋陽世茂五里河(商業)	瀋陽	967,220	22,919	63,355	820,124	–	64%
其他								
40	武漢世茂錦繡長江	武漢	1,816,000	77,584	347,578	1,087,900	–	96%
41	武漢世茂嘉年華項目(住宅)	武漢	1,000,000	–	–	1,000,000	875,800	100%
	武漢世茂嘉年華項目(商業I)	武漢	501,000	–	5,000	496,000	501,000	64%
	武漢世茂嘉年華項目(商業II)	武漢	27,418	–	–	27,418	27,418	64%
42	咸陽世茂城市綜合體項目	咸陽	184,203	–	56,221	127,982	–	60%
43	哈爾濱世茂濱江新城	哈爾濱	1,693,564	32,071	258,241	634,961	–	100%
44	成都龍泉驛項目	成都	657,681	–	124,500	533,181	184,000	100%
45	牡丹江世茂北山項目	牡丹江	700,000	–	–	700,000	251,226	100%
46	牡丹江世茂江南項目	牡丹江	1,800,000	–	61,799	1,738,201	744,480	100%
47	福州世茂天城	福州	500,000	25,865	189,937	–	–	100%
48	福州世茂外灘花園	福州	276,402	116	–	–	–	82%
49	廈門濱海世茂項目(住宅)	廈門	62,936	–	–	62,936	–	82%
	廈門濱海世茂項目(商業)	廈門	212,961	–	212,961	–	–	82%
50	廈門世茂湖濱首府項目	廈門	452,700	–	90,803	361,897	235,740	100%
51	南昌紅谷灘項目	南昌	331,096	–	–	331,096	331,096	100%
52	長沙河西項目	長沙	550,000	–	–	550,000	550,000	100%
合計			40,714,481	1,241,991	7,380,965	26,351,676	9,497,503	
權益建築面積(2)				1,180,931	6,760,602	23,111,486	8,378,597	

附註：

1. 「整個項目總建築面積」包括已售出竣工物業。

2. 「權益建築面積」指根據我們於相關項目之權益，我們應佔之建築面積部分。

3. 「規劃建築面積」包括「尚未取得土地使用權」。

截至2010年6月30日，我們的項目公司已就25個項目訂立土地出讓合同或已取得土地出讓確認函，但尚未取得相關土地使用權證。

有關我們業務分部截至2010年6月30日之若干主要資料（按建築面積計）

下表載列有關我們業務分部截至2010年6月30日之若干主要資料（按建築面積計）：

	已竣工但未售出／持作投資或酒店管理之建築面積 *（平方米）*	發展中建築面積 *（平方米）*	持作未來發展建築面積 *（平方米）*
待售及投資物業			
住宅	675,124	4,602,233	17,866,032
零售／辦公樓	296,871	2,405,549	7,611,610
酒店	269,996	373,183	874,034
合計	1,241,911	7,380,965	26,351,676
權益建築面積(1)	1,180,931	6,760,602	23,111,486

附註：

1. 權益建築面積指根據我們於相關項目之權益，我們應佔之總建築面積部分。

我們的酒店及投資物業

我們專注於大型物業發展項目，許多項目集住宅、酒店、零售及辦公樓物業於一體。我們所有住宅物業均持作銷售，而酒店以及若干零售及辦公樓物業則持作投資用途。近年來，我們已擴展至酒店、零售及辦公樓物業領域。

酒店

我們已於上海落成三幢酒店，即上海世茂佘山艾美酒店、上海世茂皇家艾美酒店及上海外灘茂悅大酒店，並在牡丹江落成一幢酒店，即牡丹江世茂假日酒店，該等酒店均由我們的酒店經營管理夥伴經營。我們亦正於以下城市發展及計劃發展若干其他酒店，包括上海、南京、無錫、徐州、泰州、杭州、紹興、嘉興、寧波、煙台、青島、天津、大連、武漢、蕪湖、咸陽、瀋陽、成都、福州及廈門。我們擬於該等酒店竣工後將其持作投資之用。

下表載列截至2010年6月30日有關我們已竣工酒店之若干資料：

	酒店建築面積 *(平方米)*	**客房數目**	**所有權權益**	**管理夥伴**	**全面開業日期**	**經營管理協議年期**
上海世茂佘山艾美酒店	69,328	327	100%	喜達屋	2006年4月	自全面開業日期起計10年，可續期五年
上海世茂皇家艾美酒店	99,696	770	100%	喜達屋	2006年12月	自全面開業日期起計10年，可續期五年
上海外灘茂悅大酒店	100,972	631	100%	凱悅	2008年11月	自全面開業日期起計20年
牡丹江世茂假日酒店	32,630	266	100%	洲際	2010年10月	自全面開業日期起計10年，可續期五年

下表載列截至2010年6月30日有關我們發展中或規劃中酒店之若干資料：

	估計竣工日期	**估計酒店建築面積** *(平方米)*	**估計客房數目**	**所有權權益**	**管理夥伴**
南京希爾頓酒店	2011	77,296	419	82%	不適用[(1)]
紹興假日酒店	2011	39,574	306	64%	洲際
紹興皇冠假日酒店	2012	82,000	452	100%	洲際
蕪湖酒店	2011	63,948	500	100%	不適用[(4)]
無錫希爾頓	不適用	47,000	360	61%	希爾頓[(2)]
嘉興雅思酒店	2013	30,000	300	100%	雅思酒店[(3)]
寧波北侖雅思酒店	2012	33,000	230	100%	雅思酒店[(3)]

	估計竣工日期	估計酒店建築面積 *(平方米)*	估計客房數目	所有權權益	管理夥伴
寧波春曉酒店	2012	31,000	200	100%	不適用[4]
泰州雅思酒店	2011	30,000	300	100%	雅思酒店[3]
徐州雅思酒店	2012	23,000	200	100%	雅思酒店[3]
杭州項目	不適用	40,000	350	50%	不適用[4]
上海大世界洲際酒店	2012	59,253	338	64%	洲際
福州洲際酒店	2012	64,348	320	100%	洲際
武漢河濱希爾頓	不適用	44,324	330	100%	希爾頓[2]
武漢蔡甸I	2013	40,000	350	100%	不適用[3]
武漢蔡甸II	2013	42,000	300	100%	不適用[1]
大連金州I	2013	35,000	300	100%	不適用[3]
大連金州II	2013	42,000	300	100%	不適用[3]
大連金州III	2015	42,000	300	100%	不適用[3]
大連金州IV	2015	45,000	300	100%	不適用[3]
希爾頓天津	2011	79,726	300	75%	不適用[1]
希爾頓瀋陽	2012	40,320	332	100%	希爾頓[2]
希爾頓煙台	2013	56,800	350	100%	希爾頓[2]
咸陽項目	不適用	30,000	333	60%	不適用[3]
成都龍泉驛項目	不適用	30,000	300	100%	不適用[3]
康萊德廈門	2013	45,000	264	82%	不適用[1]
康萊德青島	2013	42,000	300	48%	不適用[1]

附註：

1. 截至2010年6月30日，我們與希爾頓集團正在磋商酒店管理及經營安排。

2. 截至2010年6月30日，我們與希爾頓集團已就該等酒店訂立意向書。

3. 我們計劃透過自有酒店管理公司雅思國際酒店管理有限公司管理該等酒店。

4. 截至2010年6月30日，並未就該等酒店訂立任何協議。

我們預期繼續自酒店經營產生經常性收入，包括來自房租、餐飲銷售及在我們酒店提供其他貨品及服務所產生之收入。

投資物業

截至2010年6月30日，我們擁有總建築面積約536,254平方米之可供租賃物業，其中絕大部分已租出。下表載列截至2010年6月30日有關我們已竣工投資物業(包括該等已被分類為投資物業之物業)之若干資料：

物業	地點	可出租總建築面積	竣工日期	我們應佔所有權權益
		(平方米)		*(%)*
上海世茂國際廣場	上海	71,239	2007年5月	100%
北京世茂大廈	北京	70,175	2008年6月	64%
常熟世茂世紀中心	常熟	47,202	2009年1月	64%
上海世茂商都	上海	9,585	1996年11月	64%
蘇州世茂運河城	蘇州	24,492	2010年6月	64%
昆山世茂廣場	昆山	88,249	2009年9月	64%
蕪湖世茂商業項目	蕪湖	40,807	2009年9月	64%
貴州路79-85號	上海	2,900	1995年	64%
紹興世茂廣場	紹興	181,605	2010年5月	64%
合計		536,254		

下表載列截至2010年6月30日有關我們發展中及持作未來發展投資物業之若干資料：

物業	地點	規劃可出租總建築面積	估計竣工日期	我們應佔所有權權益
		(平方米)		*(%)*
北京世茂國際中心	北京	82,724	2011年	64%
蕪湖世茂商業項目	蕪湖	46,520	2012年	64%
昆山世茂國際城	昆山	85,724	2012年	64%
杭州世茂商業項目	杭州	134,276	2013年	64%
武漢世茂嘉年華	武漢	473,551	2013年	64%
徐州世茂廣場	徐州	96,037	2011年－2013年	64%
蘇州世茂運河城	蘇州	105,289	2014年	64%
瀋陽世茂商業項目	瀋陽	49,459	2014年	64%
青島世奧大廈	青島	63,431	2015年	64%
廈門世茂海峽大廈	廈門	153,045	2015年	64%
合計		1,290,056		

近期發展

天津津南項目

於2010年8月，我們與合景泰富地產控股有限公司、雅居樂地產控股有限公司及廣州富力地產股份有限公司(「富力」)就發展天津津南項目訂立一份合營協議。我們持有該合營企業的25%股權。該合營企業與中國相關土地機關訂立一份土地出讓確認書，以收購一幅位於天津市津南的土地。該幅土地的地盤面積約為1,289,226平方米及規劃建築面積約為2,950,901平方米。該項目預期建有高層住宅樓宇、酒店及商業物業。

惠州富茂項目

於2010年5月，我們與富力就發展惠州富茂項目成立一家合營公司。我們持有該項目的50%股權，富力持有另外50%。該合營企業分階段收購土地，而截至票據的發售備忘錄日期，該合營企業已收購位於廣東省惠州市一幅總地盤面積約為1,190,909平方米的土地以及一幅規劃建築面積約2,762,909平方米的土地。

福州閩侯項目

於2010年12月，我們與中國相關土地機關訂立一份土地出讓確認書，以收購一幅位於福建省福州市閩侯的土地。該幅土地的地盤面積約為351,888平方米及規劃建築面積約為880,000平方米。該幅土地預期發展為高層住宅樓宇。

成都猛追灣項目

於2010年12月，我們與中國相關土地機關訂立一份土地出讓確認書，以收購一幅位於四川省成都的土地。該幅土地的地盤面積約為62,752平方米及規劃建築面積約為377,239平方米。該幅土地預期發展為高層住宅樓宇。

長沙項目

於2011年1月，我們與中國相關土地機關訂立一份土地出讓確認書，以收購一幅位於湖南省長沙的土地。我們透過上海世茂股份有限公司(為我們持有64.2%權益的附屬公司)於該項目持有權益。該幅土地的地盤面積約為13,827平方米及規劃建築面積約為170,000平方米。該項目預期發展為商業及辦公樓物業。

重大債務及其他責任概況

我們與多間金融機構已訂立貸款協議，為我們的現有物業項目融資及為我們的營運資金需求提供資金。截至2010年6月30日，我們尚未償還的外部借款總額為人民幣291.938億元(43.049億美元)。該等貸款及其他債務的重大條款及條件概要載於下文。

項目貸款協議

我們的若干中國附屬公司與中國的多間銀行(包括中國建設銀行、中國工商銀行、中國農業銀行、中信銀行、上海浦東發展銀行、興業銀行、中國民生銀行股份有限公司、江蘇銀行及渣打銀行(中國)有限公司)已訂立貸款協議。該等中國銀行貸款一般為項目貸款，旨在為我們項目的建設提供資金(「項目貸款」)，年期介乎24個月至60個月不等，基本與有關項目的建設期限相符。截至2010年6月30日，該等項目貸款中的未償還款項總額合共約為人民幣195.542億元，其中人民幣35.258億元於一年內到期、人民幣54.133億元於一至兩年內到期、人民幣71.456億元於兩至五年內到期及人民幣46.605億元於五年以後到期。我們的項目貸款一般以土地使用權及物業抵押，並由本公司及我們的若干中國附屬公司提供擔保。

利息

項目貸款中的未償還本金額通常按浮動利率計息，而有關浮動利息乃參考相關銀行的基準年利率計算。銀行一般每年對浮動利率進行檢討。利息付款可按月或按季於特定貸款協議所列明的各個付款日期支付。截至2010年6月30日，我們的項目貸款未償還款項總額的加權平均年利率為5.51%。

契諾

根據該等項目貸款，我們的多間附屬公司借款人同意(其中包括)在未獲相關貸款人事先同意之情況下不會採取以下行動：

- 就其物業或資產任何部分設立產權負擔，或以可能對其償還貸款的能力造成不利影響的方式處理其資產；

- 向任何第三方授出可能對其償還貸款的能力造成不利影響的擔保；

- 對其公司架構作出任何主要變動，如組建合營企業、進行併購及重組；

- 在任何重大方面改變其業務經營性質或範圍；

- 產生可能對其償還貸款的能力造成不利影響的額外債務；

- 提前還款；及

- 轉讓其於貸款項下的部分或全部負債予第三方。

違約事件

項目貸款載有若干慣常違約事件，包括無力償債、抵押品出現重大不利變動及違反貸款協議的條款。在發生違約事件後，銀行有權終止其各自之協議及／或要求立即償還貸款以及任何應計利息。

擔保及抵押

本公司及我們的若干中國附屬公司與中國多間銀行已就部分項目貸款訂立擔保協議，據此，該等附屬公司已為該等項目貸款項下的附屬公司借款人的所有負債提供擔保。此外，截至2010年6月30日，項目貸款中的人民幣181.832億元以附屬公司借款人及／或我們的其他中國附屬公司的土地使用權及／或其他資產及物業作為抵押。

股息限制

根據與中國若干銀行訂立的項目貸款，我們的部分中國附屬公司亦同意於以下情況不分派任何股息：

- 倘借款人的除税後溢利為零或負數；
- 於悉數償還相關項目貸款的本金及應計利息前；或
- 於悉數償還期內相關項目貸款的任何到期本金及應計利息前。

2010年票據

於2010年8月3日，我們簽訂了一份契約（經不時修訂或補充，「2010年契約」）。根據2010年契約，我們發行了本金額為500,000,000美元2017年到期的9.65%優先票據（「2010年票據」）。截至票據的發售備忘錄日期，本金額合共為500,000,000美元的2010年票據尚未贖回。

擔保

2010年票據項下的責任由我們的現有附屬公司（「2010年附屬公司擔保人」或「2010年合營附屬公司擔保人」（視情況而定））提供擔保，惟根據中國法律組織之附屬公司及於2010年契約中所列明的若干其他附屬公司除外。

2010年附屬公司擔保人及2010年合營附屬公司擔保人各自共同及個別地為2010年票據項下的本金、任何溢價（如有）、利息及所有其他應付款項將會如期準時支付提供擔保。

抵押品

於2010年8月3日，2010年票據受託人及2010年銀團貸款融資的融資代理訂立了債權協調協議，據此2010年票據及2010年銀團貸款融資由2006年抵押品按享有同等權益基準提供擔保，惟不包括若干例外抵押品（該等抵押品稱為「2010年抵押品」）。

2010年抵押品及附屬公司擔保可於若干資產出售及若干其他情況下解除或減少。此外，本公司及2010年契約項下各附屬公司擔保人兼質押人，可在符合若干條件的情

況下產生額外債務，並由2010年抵押品按照2010年票據及有關附屬公司擔保的享有同等權益基準提供擔保。於本發售事項截止後，受託人將成為債權協調協議的訂約方之一，令票據將由2010年抵押品按享有同等權益基準提供擔保。

利息

2010年票據按年利率9.65%計息。利息須每半年於期末繳付。

契諾

受若干條件及例外情況所規限，2010年契約及各有關附屬公司擔保均包含若干契諾，限制我們及各有關受限制附屬公司不能進行下列活動，其中包括：

- 產生或擔保額外債務及發行不合資格或優先股份；
- 宣派其資本股份之股息或購買或贖回資本股份；
- 作出投資或其他指定受限制付款；
- 發行或出售有關受限制附屬公司之資本股份；
- 就有關受限制附屬公司之債務作出擔保；
- 出售資產；
- 設立留置權；
- 訂立銷售及售後租回交易；
- 訂立協議限制有關受限制附屬公司派付股息、轉讓資產或作出公司間貸款之能力；
- 與股東或聯屬公司訂立交易；及
- 進行整合或合併。

違約事件

2010年契約載有若干慣常違約事件，包括於2010年票據的本金(或溢價(如有))到期時並未作出支付，連續30天未支付到期利息及與契約項下的違約事件大致相約的其

他違約事件。倘違約事件發生及持續存在，2010年契約項下的受託人或持有至少25%尚未贖回的2010年票據的持有人可宣佈2010年票據的本金加溢價及任何應計及未付的利息即時到期應付。

控制權變動

於發生若干控制權變動事件及評級下降後，我們須提出要約回購全部未贖回的2010年票據，購入價為該等票據本金額之101%，另加任何應計及未付的利息。

到期日及贖回

2010年票據將於2017年8月3日到期。

於2014年8月3日或之後的任何時間，我們可贖回全部或部分2010年票據，贖回價為下表所載本金額的百分比(倘於下表所示各期間贖回)，另加截至贖回日期的任何應計及未付利息：

期間	**贖回價**
2014年8月3日至2015年8月2日	104.8250%
2015年8月3日至2016年8月2日	102.4125%
2016年8月3日至2017年8月2日	100.0000%

於2014年8月3日前的任何時間，我們可贖回全部(並非部分) 2010年票據，贖回價為2010年票據本金額之100%，另加溢價及截至贖回日期的任何應計及未付利息。

於2013年8月3日前的任何時間，在若干條件的規限下，我們可以出售本公司若干類別的資本股份的所得款項贖回最多相當於2010年票據本金總額的35%，贖回價為2010年票據本金額之109.65%，另加任何應計及未付利息。

此外，倘我們或2010年契約項下的附屬公司擔保人因特定稅法出現若干變動而須額外支付若干款項，除若干例外情況外，我們可贖回2010年票據，贖回價為2010年票據本金額之100%，另加任何應計及未付利息。

2006年票據

於2006年11月29日，我們簽訂了一份契約(經不時修訂或補充，「2006年契約」)。於2010年2月2日，我們簽訂了一份補充契約，以透過一項於2010年1月的同意徵求修訂2006年契約的若干契諾。根據2006年契約，我們發行了本金額為250,000,000美元於2011年到期的浮息優先票據(「2006年浮息票據」)及本金額為350,000,000美元於2016年到期的8%優先票據(「2006年定息票據」)。截至票據的發售備忘錄日期，我們擁有本金總額達600,000,000美元的2006年票據尚未贖回。

擔保

2006年票據項下的債務由我們的現有附屬公司(「2006年附屬公司擔保人」提供擔保，惟根據中國法律組織之附屬公司及於2006年契約中列明的若干其他附屬公司除外。

2006年附屬公司擔保人各自共同及個別地為2006年票據項下的本金、任何溢價(如有)、利息及所有其他應付款項將會如期準時支付提供擔保。

抵押品

本公司已同意以2006年票據持有人為受益人抵押或促使附屬公司擔保人兼質押人抵押(視情況而定)各原附屬公司擔保人的資本股份(統稱「2006年抵押品」)，以擔保本公司於2006年票據及2006年契約以及有關附屬公司擔保人兼質押人於其附屬公司擔保項下的債務。

2006年抵押品及附屬公司擔保可於若干資產出售及若干其他情況下可解除或減少。此外，本公司及2006年契約項下的各附屬公司擔保人兼質押人可在符合若干情況下產生額外債務，並由2006年抵押品作抵押按照2006年票據及有關附屬公司擔保的享有共同權益基準提供擔保。

利息

2006年浮息票據按倫敦銀行同業拆息加年利率1.95%計息(每半年重新釐定)。利息須每半年於期末繳付。

2006年定息票據按年利率8%計息。利息須每半年於期末繳付。

契諾

受若干條件及例外情況所規限，2006年契約及各有關附屬公司擔保均包含若干契諾，限制我們及各有關受限制附屬公司不能進行下列活動，其中包括：

- 產生或擔保額外債務及發行不合資格或優先股份；
- 宣派其資本股份之股息或購買或贖回資本股份；
- 作出投資或其他指定受限制付款；
- 發行或出售有關受限制附屬公司之資本股份；
- 就有關受限制附屬公司之債務作出擔保；
- 出售資產；
- 設立留置權；
- 訂立銷售及售後租回交易；
- 訂立協議限制有關受限制附屬公司派付股息、轉讓資產或作出公司間貸款之能力；
- 與股東或聯屬公司進行交易；及
- 進行整合或合併。

違約事件

2006年契約載有若干慣常違約事件，包括於2006年票據的本金（或溢價（如有））到期時並未作出支付，連續30天未支付到期利息及與契約項下的違約事件大致相若的其他違約事件。倘違約事件發生及持續存在，2006年契約項下的受託人或持有至少25%尚未贖回的2006年票據的持有人可宣佈2006年票據的本金加溢價及任何應計及未付利息即時到期應付。

控制權變動

於發生若干控制權變動事件及評級下降後，我們須提出要約回購全部未贖回的2006年票據，購入價為該等票據本金額之101%，另加任何應計及未付利息。

到期日及贖回

2006年浮息票據將於2011年12月1日到期。

於2011年12月1日前的任何時間，我們可贖回全部或部分2006年浮息票據，贖回價為2006年浮息票據本金額之100%，另加溢價及截至贖回日期的任何應計及未付利息。

於2009年12月1日前的任何時間，在若干條件的規限下，我們可以出售本公司若干類別的資本股份的所得款項贖回最多相當於2006年浮息票據本金總額的35%，贖回價為2006年浮息票據本金額之100%，另加溢價及任何應計及未付的利息。

2006年定息票據將於2016年12月1日到期。

於2011年12月1日或之後的任何時間，我們可贖回全部或部分2006年定息票據，贖回價為下表所載本金額的百分比(倘於下表所示各期間贖回)，另加截至贖回日期的任何應計及未付的利息：

期間	**贖回價**
2011年12月1日至2012年11月30日	104.000%
2012年12月1日至2013年11月30日	102.667%
2013年12月1日至2014年11月30日	101.333%
2014年12月1日至2015年11月30日	100.000%

於2011年12月1日前的任何時間，我們可贖回全部(並非部分) 2006年定息票據，贖回價為2006年票據本金額之100%，另加溢價及截至贖回日期的任何應計及未付利息。

於2009年12月1日前的任何時間，在若干條件的規限下，我們可以出售本公司若干類別的資本股份的所得款項贖回最多相當於2006年定息票據本金總額的35%，贖回價為2006年定息票據本金額之108%，另加任何應計及未付利息。

此外，倘我們或2006年契約項下的附屬公司擔保人因特定稅法出現若干變動而須額外支付若干款項，除若干例外情況外，我們可贖回2006年票據，贖回價為2006年票據本金額之100%，另加任何應計及未付利息。

經修訂及經重列債權協調協議

於2010年1月14日，本公司、附屬公司擔保兼質押人、代表2006年票據持有人利益之共享抵押代理及任何獲許可享有同等權益之有抵押負債持有人(為債權協調協議訂約方之一及2006年票據之受託人)訂立經修訂及經重列債權協調協議(經不時修訂，「債權協調協議」)。債權協調協議規定，2006年抵押品產生之抵押權益將由(i)2006年票據持有人；及(ii)任何獲許可享有同等權益之有抵押負債之持有人或其代表(為債權協調協議之訂約方)按享有同等權益基準分享。

2010年銀團貸款融資

於2010年5月14日，我們與14名貸款人及香港上海滙豐銀行有限公司、渣打銀行(香港)有限公司、東亞銀行有限公司、恒生銀行有限公司及三井住友銀行(作為委任協調安排行)及渣打銀行(香港)有限公司(作為融資代理)訂立信貸協議，內容有關多種貨幣定期貸款融資，包括440,000,000美元之融資及156,000,000港元之融資。貸款融資之所得款項將用作我們現有債務之再融資或一般企業用途，包括任何固定資產投資。我們已於2010年5月及6月全數提取貸款融資項下全部金額。截至票據的發售備忘錄日期，我們已提取貸款融資項下全部可動用金額。

利息

根據信貸協議，計息期間之適用利率為倫敦銀行同業拆息(就美元貸款而言)或香港銀行同業拆息(就港元貸款而言)，惟均加上年利率2.55%之息差。倘我們未能於付息日支付到期款項，利息將按由到期日直至實際支付日期之未付款項累計，而逾期款項之利息(前提是該等逾期款項並非貸款本金額)須按融資代理釐定高於原應付利率2%之年利率支付。

到期日及提前還款

貸款融資須按以下金額分四期(每半年為一期)償還：(i)於信貸協議日期後滿18個月之日，未償還貸款融資之10%;(ii)於信貸協議日期後滿24個月之日，未償還貸款融資之15%;(iii)於信貸協議日期後滿30個月之日，未償還貸款融資之30%；及(iv)於信貸協議日期後滿36個月之日，未償還貸款融資之45%。我們有權向融資代理發出不少於30日(或融資代理按大多數貸款人之指示可能協定之較短期間)之事先通知提前還款。

擔保及彌償保證

我們於信貸協議項下之責任由我們於中國境外註冊成立之若干附屬公司提供擔保。

違約事件

信貸協議載有若干慣常違約事件，包括無力償債及違反信貸協議之條款。融資代理按大多數貸款人之指示，有權終止總承擔之全部或任何部分及／或宣布任何未償還金額之全部或部分須即時到期應付及／或須由融資代理按大多數貸款人之指示於提出要求時支付。

釋義

在本公佈內，除文義另有所指外，下列詞彙之涵義如下：

「董事會」	指	董事會
「本公司」	指	世茂房地產控股有限公司，一家於開曼群島註冊成立之有限公司，其股份於聯交所主板上市
「董事」	指	本公司董事
「本集團」、「我們」及「我們的」	指	本公司及其綜合入賬之附屬公司
「香港」	指	中國香港特別行政區
「上市規則」	指	聯交所證券上市規則
「Morgan Stanley」	指	Morgan Stanley & Co. International plc，為有關發售及銷售票據之聯席牽頭經辦人及聯席賬簿管理人之一
「票據」	指	本公司將發行之擔保優先票據
「中國」	指	中華人民共和國，就本公佈而言，不包括香港、中國澳門特別行政區及台灣
「建議發行票據」	指	本公司建議進行之票據發行
「購買協議」	指	由（其中包括）本公司、Morgan Stanley與渣打就建議發行票據擬簽訂之協議
「證券法」	指	經修訂之1933年美國證券法

「新加坡交易所」	指	新加坡證券交易所有限公司
「渣打」	指	渣打銀行，為有關發售及銷售票據之聯席牽頭經辦人及聯席賬簿管理人之一
「聯交所」	指	香港聯合交易所有限公司
「美元」	指	美元

代表董事會
世茂房地產控股有限公司
主席
許榮茂

香港，2011年3月1日

於本公佈日期，董事會包括六位執行董事許榮茂先生(主席)、許世壇先生(副主席)、姚櫟女士、童自成先生、劉賽飛先生及許幼農先生；以及四位獨立非執行董事簡麗娟女士、呂紅兵先生、顧雲昌先生及林清錦先生。

Extract of Operating and Financial Data
of Shimao Property Holdings Limited
(As of June 30, 2010)

Risks Relating to Our Business

We are dependent on the performance of the PRC property market

Our business and prospects depend on the performance of property market in the PRC. As of June 30, 2010, we had 52 projects at various stages of development located in cities in the Yangtze River Delta such as Shanghai, Nanjing, Kunshan, Changshu, Suzhou, Wuxi, Xuzhou, Changzhou, Taizhou, Hangzhou, Shaoxing, Jiaxing, Ningbo and Wuhu, cities in the Bohai Rim such as Beijing, Tianjin, Shenyang, Dalian, Yantai and Qingdao, and key regional cities such as Harbin, Fuzhou, Wuhan, Xianyang, Chengdu, Xiamen and Mudanjiang. Any property market downturn in the PRC generally or, in particular, in Yangtze River Delta and Bohai Rim and other cities and regions where we operate, could adversely affect our business, results of operations and financial condition.

Demand for private residential properties in the PRC, particularly in the Yangtze River Delta and the Bohai Rim, has grown significantly in recent years, but such growth is often coupled with volatility in market conditions and fluctuations in property prices. In addition, demand for properties has been affected and will continue to be affected by the macro-economic control measures implemented by the PRC government from time to time. The PRC government has recently announced a series of measures designed to stabilize the growth of the PRC economy and to stabilize the growth of specific sectors, including the property market, to a more sustainable level. On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities [Guofa (2010) No. 10] (國務院關於堅決遏制部分城市房價過快上漲的通知), which stipulated that 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 People's Bank of China (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. On April 30, 2010, the Beijing Municipal Government issued the Circular on Implementation of the Notice on Containing the Excessive Hike of Property Price in Some Cities by the State Council (北京市人民政府貫徹落實國務院關於堅决遏制部分城市房價上漲文件的通知), under which one household is allowed to purchase only one new residential unit in Beijing. On September 21, 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development ("MOHURD") jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development to tighten the examination of qualification of land bidders. On September 29, 2010, the PBOC and the China Banking Regulatory Commission ("CBRC") jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies, which raised the minimum down payment to 30% for all first home purchases with mortgage loans, and required commercial banks in China to suspend mortgage loans to customers for their third residential property purchases and beyond. On May 19, 2010, the State Administration of Taxation (the "SAT") issued the Circular on Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to clarify and strengthen the settlement of the land appreciation tax. Furthermore, on May 25, 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅征管工作的通知), 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. For more details, see "Regulation — Taxation in China — Income Tax — Land Appreciation Tax." In addition, we have historically sold a number of our residential properties to overseas customers. On November 4, 2010, the MOHURD and the State Administration of Foreign Exchange (the "SAFE") jointly promulgated the Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals (關於進一步規範境外機構和個人購房管理的通知), pursuant to which, an overseas individual can only purchase one house for self-use within the PRC and an overseas institution which had established a branch or representative office in the PRC can only purchase non-residential houses for business use in the city where it is registered within the PRC. On January 26, 2011, the General Office of the State Council promulgated the Notice on Relevant Issues of Further Improvement of the Control in Real Estate Market (進一步做好房地產市場調控工作有關問題的通

知), which, among others, raised the minimum down payment for second house purchases from 50% to 60% and abolished the business tax preferential treatment on the transfer of ordinary housing within five years. Actions taken by the PRC government may adversely affect our ability to continue to sell residential properties to overseas customers in the future and adversely affect our results of operations. The State Council recently approved, on a trial basis, the launch of a new property tax scheme in selected cities. The detailed measures will be formulated by the governments of the pilot provinces, autonomous regions or municipalities directly under the central government. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011. See "Regulation—Taxation in China—Property Taxes." These two governments may issue additional measures to tighten the levy of property tax. It is also expected that more local governments will follow Shanghai and Chongqing in imposing property tax on commodity properties, including Beijing, Shenzhen and Hangzhou. The imposition of property tax on commodity properties will increase the purchasing cost of properties and is expected to have a negative impact on demand for properties in China, which in turn could have a material adverse effect on our business, financial condition and results of operations. Furthermore, many cities have promulgated measures to restrict the number of houses one family is allowed to purchase, such as Beijing, Shanghai, Guangzhou, Qingdao, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou, Chengdu and Dalian. In order to implement the central government's requirement, other cities in China, including those where our property projects are located, may issue similar restrictive measures in the near future. Any such measures could have a material adverse effect on our business, financial condition or results of operations. We cannot assure you that property development and investment activities will continue at past levels or that there will not be an economic downturn in the property markets in the regions and cities where we operate.

Our business, financial condition and results of operations have been and will continue to be dependent on the state of the PRC property market, and our business may be affected by adverse developments in the supply and demand for properties or adverse change in property prices in the PRC. Any adverse development in the property market in the regions and cities in China where we operate or may operate in the future could have a material and adverse effect on our business, results of operations and financial condition.

Increasing competition in the PRC, particularly in the Yangtze River Delta and the Bohai Rim, may adversely affect our business and financial condition

In recent years, a large number of property developers have undertaken property development and investment projects in the PRC, particularly in the Yangtze River Delta and the Bohai Rim. The intensity of the competition among property developers in the Yangtze River Delta, the Bohai Rim and other parts in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the properties we sell and may adversely affect our business, financial condition and results of operations.

In addition, the property markets in the Yangtze River Delta, the Bohai Rim and elsewhere in the PRC are rapidly changing. If we cannot respond to changes in market conditions in the Yangtze River Delta, the Bohai Rim and elsewhere or react to changes in customer preferences more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We may not be able to obtain sites that are suitable for property developments

We derive a substantial portion of our revenue from sales of properties that we have developed. To have a steady stream of developed properties available for sale and sustainable business growth, we need to replenish and increase our land reserves with additional land suitable for development. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control.

The supply of substantially all of the land in the PRC is controlled and regulated by the PRC government. The land supply policies adopted by the PRC government directly impact our ability to acquire land use rights for development and our costs of such acquisitions. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. See "— Risks Relating to Our Industry — The PRC government may adopt further measures to cool down the overheating of the property sector." If we fail to acquire sufficient land reserves in a timely manner and on acceptable terms, or at all, our business, prospects, results of operations and financial condition may be materially and adversely affected.

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

We have expanded into second- and third-tier cities in the PRC and plan to increase our penetration into these cities. In addition, we may expand our business into other geographic areas where the local potential customers may not be familiar with our brand. We cannot assure you that we can execute successfully our contemplated expansion plan or that we will succeed in effectively integrating our expanded operations, or that our expanded operations will generate adequate returns on our investments or positive operating cash flows.

As we continue to grow, we must improve our managerial, technical and operational knowledge and skill and allocation of resources, and 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. Further, we will be required to manage relationships with a an increasing number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, 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 operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

Restrictions on the payment terms for land use rights may adversely affect our financial condition

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment of land premium to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 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 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. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments.

On September 28, 2007, the Ministry of Land and Resources issued revised "Rules regarding the Grant of State-owned Land Use Rights for Construction 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 provides that property developers must 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. The implementation of such regulation requires property developers to maintain a higher level of working capital, which may have a material adverse effect on our cash flow position, financial condition and business plans.

The land use rights for some of our development sites will not be formally vested until we have received the relevant land use right certificates

Under current PRC land grant policies, the relevant authorities will not issue the formal land use right certificate for a piece of land until the developer has paid the land premium in full, completed the resettlement process and is in compliance with other land grant conditions. Although we have obtained the formal land use right certificates for all our properties under development, we have yet to obtain the formal land use right certificates for some of our project sites held for future development. As of November 30, 2010, the development sites for which we had not obtained formal land use right certificates accounted for 48.8% of our total land bank (based on estimated GFA) and comprised 25 projects held for future development.

The land use rights for these properties and the land that we may acquire in the future will not be formally vested until we have received the corresponding formal land use right certificates. Although we have obtained the land use rights certificates for all of our projects under development, we have not yet obtained the land use rights certificates for some of our projects held for future development. For example, we have experienced a delay in obtaining the land use rights certificate for Nanjing Shimao Riviera New City, primarily due to the lengthy resettlement process to be completed by the local government. If we fail to acquire the land use rights for our projects in a timely manner, or at all, our business and prospects, results of operations and financial condition may be materially and adversely affected.

We may not be able to obtain adequate funding to finance our land acquisitions or property developments

The property development business is capital intensive. We have historically financed our land acquisition and property developments primarily through a combination of capital contributions from our shareholders, bank loans, internal cash flows, including proceeds from the pre-sale of our properties, and other funds we raised from the capital markets, including our initial public offering in 2006, our offering of the 2006 Notes, our offering of the 2008 Short Term Notes and our offering of the 2010 Notes. We cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all. As of June 30, 2010, our borrowings included in non-current liabilities and current liabilities were RMB24,613.8 million (US$3,629.6 million) and RMB4,580.1 million (US$675.4 million), respectively. On August 31 2010, we drew down HK$827.0 million on our revolving facility and HK$408.0 million on our term loan facility with HSBC and on February 25, 2011, we drew down HK$150.0 million on our other term loan facility with HSBC. See “Description of Other Material Indebtedness — 2010 HSBC (Hong Kong) Facilities I and — 2010 HSBC (Hong Kong) Facility II.”

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. The PRC government has in recent years taken a number of measures in the financial sector to further tighten lending requirements for property developers, which, among other things:

- forbid PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of luxury residential properties;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;

- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans; and
- forbid property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

In addition, the PBOC increased the reserve requirement ratio for commercial banks 18 times between July 2006 and June 2008, from 7.5% on June 30, 2006 to 17.5% effective June 25, 2008. During the period from June 2008 to December 2009, the PBOC decreased the reserve requirement ratio for commercial banks four times, from 17.5% to 13.5-15.5%. From January 1, 2010 to the date of this document, the PBOC has adjusted the reserve requirement ratio eight times. Effective February 24, 2011, the reserve requirement ratio for large-sized deposit-taking financial institutions in China is 19.5% and for small-sized financial institutions is 16.0%.

We cannot assure you that the PRC government will not introduce other measures which may limit our access to capital resources. The foregoing and other governmental actions and policy initiatives may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to legal and business risks if we fail to obtain or maintain formal qualification certificates or other requisite government approvals

Property developers in the PRC must obtain a formal qualification certificate in order to engage in a property development business in the PRC. According to the Provisions on Administration of Qualification Certificates of Property Developers (房地產開發企業資質管理規定), newly established developers must first apply for a provisional qualification certificate valid for one year, which can be renewed for a maximum of two additional one-year periods. If a newly established property developer fails to commence developing property within one-year of the provisional qualification certificate becoming effective, it will not be allowed to extend its provisional qualification certificate.

In addition, property developers in the PRC, such as our individual project companies, are required to present a valid qualification certificate when they apply for a pre-sale permit. If a newly established property developer fails to commence developing property within one-year of the provisional qualification certificate becoming effective, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. In reviewing the renewal of a qualification certificate, the local authority takes into account the property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the developer's management, as well as whether the property developer has any illegal or inappropriate operations. Each of our project companies is responsible for, and monitors, the annual submission of its renewal application. If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, that project company will typically be given a grace period to rectify any insufficiency or non-compliance, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business license of such project company. We cannot assure you that the qualification certificates of any of our project companies will continue to be renewed or that formal qualification certificates will be obtained in a timely manner, or at all, as and when they expire. If our project or project management companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business, financial condition and results of operations.

Entities engaged in property management should also obtain qualification certifications before commencing their business, pursuant to the Measures on Administration of Qualification Certificates of Property Service Enterprises (物業服務企業資質管理辦法). If any of our property management companies is unable to meet the relevant requirements and therefore unable to obtain or maintain the qualification certificates, our business and financial condition could be materially and adversely affected.

In addition to the above, we cannot assure you that we will not encounter significant problems in making payment of the registered capital in a timely manner or at all, or satisfying other conditions necessary for the issuance of other licenses, certificates, permits or approvals. If we fail to obtain the necessary licenses, certificates, permits or approvals for any of our PRC subsidiaries or property projects, our business, results of operations and financial condition may be materially and adversely affected.

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised outside of China in our business in the PRC

On July 10, 2007, the SAFE issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered 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 the local foreign exchange authorities will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from and registered with the Ministry of Commerce ("MOFCOM") on or after June 1, 2007; and (ii) that the local foreign exchange authorities will no longer process foreign exchange registrations (or any change in such registrations) or applications for settlement and sale of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from local commerce departments on or after June 1, 2007 but that did not register with the MOFCOM. This regulation effectively prohibits us from injecting funds raised offshore into our PRC project companies by way of shareholder loans.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation.

Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

The nature of our business may expose us to unpredictable and unstable operating cash flows

Our operating cash flow will affect our liquidity and our ability to service our indebtedness. We had a net cash outflow from operating activities of RMB3,649.5 million in 2007 and a net cash inflow from operating activities of RMB278.7 million and RMB3,974.3 million (US$586.1 million) in 2008 and 2009, respectively. We had a net cash outflow from operating activities of RMB6,034.1 million (US$889.8 million) for the six months ended June 30, 2010. We cannot assure you that we will be able to continue to generate and maintain sufficient cash flow to service our indebtedness. If we are unable to make scheduled payments in connection with our debts and other fixed payment obligations as they become due, we may need to refinance such obligations or obtain additional financing. We cannot assure you that our refinancing efforts would be successful or timely or that we could secure additional financing on acceptable terms, or at all. If we fail to maintain sufficient cash flow to service our indebtedness or our refinancing efforts are unsuccessful, our liquidity, business, and financial condition will be materially and adversely affected.

The recent global economic slowdown and financial crisis have negatively impacted, and may continue to negatively impact, our business

The recent global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 have had a negative impact on the PRC economy, which in turn has affected the PRC property market. For example:

- the economic slowdown and tightened credit have resulted in lower demand for residential and commercial properties and declining property prices;

- the economic slowdown has adversely impacted home owners and potential property purchasers, which may lead to a further decline in the general demand for property products and a further erosion of their selling prices; and

- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financings.

In response to the adverse change in the global economy and the real estate market in the PRC, we scaled back some of our original business expansion plans, and postponed the completion and development schedules of some of our projects. We also slowed the pace of our development schedules for certain projects held for future development and adjusted the selling prices of some of our properties downward.

As a result, revenue from the sales of our properties and the total GFA sold decreased by 27.7% and 17.2%, respectively, in the year ended December 31, 2008 as compared to the year ended December 31, 2007. In addition, our hotel business operations in Shanghai were impacted by the adverse change in the hotel industry as a result of the global economic slowdown. Revenue generated from our hotel operations amounted to RMB641.7 million in the year ended December 31, 2009, representing a decline of 16.8% as compared to to the year ended December 31, 2008.

Although certain parts of the PRC property market showed signs of recovery in the second half of 2009 due in large part to stimulus measures adopted by the PRC government, we cannot assure you that the property market will continue to recover, nor can we predict as to how long the recent economic slowdown may last and to what extent it may impact us. If the global economic slowdown and financial market crisis continue or become broader than currently estimated, the demand for our products and our ability to obtain necessary financing for our operations could be materially and adversely affected, which in turn would negatively impact our business, financial condition, results of operations and prospects.

Our operating results fluctuate from period to period and the fluctuations make it difficult to predict our future performance

For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our revenue was RMB9,275.9 million, RMB7,196.3 million, RMB17,032.1 million (US$2,511.5 million) and RMB10,024.5 million (US$1,478.2 million), respectively, and profit for the year/period was RMB4,173.8 million, RMB860.3 million, RMB3,603.0 million (US$531.3 million) and RMB2,395.5 million (US$353.2 million), respectively. We have derived our revenues principally from the sale of properties, hotel operations and the leasing of investment properties.

For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, the sale of properties accounted for approximately 93.1%, 86.8%, 95.0% and 93.9%, respectively, of our revenue. Because we derive a significant portion of our revenue from the sale of properties, our results of operations are affected by the demand for our properties and the price at which we are able to sell them. The demand for and pricing of the properties are in turn, to a large extent, affected by the general condition of the property market. In addition, we recognize proceeds from the sale of a property as revenue only upon the delivery of the property. In periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. Therefore, our revenue and profit during any given period may not be indicative of the actual demand for our properties or sales achieved during that period.

For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our hotel operating income and rental income from investment properties, in aggregate, were RMB644.6 million, RMB951.4 million, RMB852.8 million and RMB581.3 million, respectively, and accounted for approximately 6.9%, 13.2%, 5.0% and 5.8%, respectively, of our revenue. We believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues.

Our results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for a significant number of our property developments

The real estate industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted which would materially and adversely affect our business, results of operations and financial condition.

We face risks related to the pre-sale of properties, including the risk that property developments are not completed

We face risks relating to the pre-sale of properties. For example, we may fail to complete a fully or partially pre-sold property development, in which case we would find ourselves liable to purchasers of pre-sold units for losses suffered by them. We cannot assure you that these losses would not exceed any deposits that may have been made in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. If the delay extends beyond the contractually specified period, or if the actual GFA of a completed property delivered to a purchaser deviates by more than 3% from the GFA originally indicated in the purchase contract, the purchaser will be entitled to terminate the purchase contract and claim damages. Any termination of the purchase contract as a result of our late delivery of properties will have a material adverse effect on our business, financial condition and results of operations.

On August 5, 2005, the PBOC issued a report entitled “2004 Real Estate Financing Report” in which it recommended that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the “two meetings” (the plenary session of the National People’s Congress of the PRC and its Standing Committee (the “NPC” or the “National People’s Congress”) and that of the Chinese People’s Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of the PBOC, put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of the PBOC, published an article suggesting that the way to perfect the system for commodity housing presale of China is to abolish the financing function of presale. On July 24, 2007, an economy research group under the National Development and Reforming Commission (the “NDRC”) proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On April 13, 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 sale of completed commodity properties in light of the local conditions, and encourages property developers to sell completed commodity properties. No local government has promulgated any such regulation for sale of completed commodity properties yet. The Shanghai governmental authority promulgated a policy on October 7, 2010 which provides that (i) commercial housing projects which obtain a construction work commencement permit after July 1, 2010 shall not be permitted to pre-sell until the main structural component of the building is completed and approved; (ii) the scope under a construction works planning permit and a work commencement permit, and the pre-sale scope of commercial housing shall not be less than 30,000 sq.m; and (iii) projects of less than 30,000 sq.m shall apply for and obtain a construction works planning permit, a work commencement permit and a pre-sale permit concurrently. There can be no assurance that the PRC governmental authority will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow results of operations and financial condition.

We face significant property development risks before we realize any benefit from a development

Property developments typically require substantial capital outlay during the construction period and may take months or years before positive cash flows can be generated by pre-sales or sales of completed property developments, if at all. The time and costs required in completing a property development may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevent, the completion of a property development and result in costs substantially exceeding those originally budgeted for. In addition, failure to complete a property development according to its original specifications or schedule, if at all, may give rise to potential liabilities and, as a result, our return on investments may be lower than originally expected.

We may have to bear the resettlement or similar costs associated with our development properties

We purchase land from both the PRC government and private entities. Where land is obtained from the PRC government, resettlement or similar costs are usually included in the land premium payable. Government authorities are required to enter into written agreements with owners of properties to be demolished to provide compensation for relocation and resettlement costs. The compensation payable by government authorities cannot be lower than the market value of similar properties at the time of expropriation. If the compensation paid by government authorities increases significantly due to increases in property market prices, the land premiums payable by us may be subject to substantial increases, which could adversely affect our business, results of operations and financial condition. In addition, any delay or difficulty in the resettlement process may cause a delay in the delivery of the land to us, in whole or in part, and may require an increase in the fees payable in connection with the resettlement process.

We may be liable to our customers for damages if we do not deliver individual property ownership certificates in a timely manner

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame 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 the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within three months after receipt of the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate in respect of these properties. We 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, together with the general property ownership certificate, for the relevant local authority's review and 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. We cannot assure you that we will not become liable to purchasers for late delivery of the individual property ownership certificates due to our own fault or for any other reason beyond our control.

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

We arrange for various domestic banks to provide mortgages to the purchasers of our properties. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. Substantially all of these guarantees are discharged upon earlier of (i) the issuance of the property ownership certificate, which generally takes place within 90 days after we deliver possession of the relevant property to the purchaser, and (ii) the settlement of mortgage loans between banks and purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgagee banks. As of December 31, 2007, 2008 and 2009 and June 30, 2010, our outstanding guarantees over mortgage loans of our customers amounted to RMB2,132.1 million, RMB2,468.2 million, RMB3,588.3 million (US$529.1 million) and RMB5,019.2 million (US$740.1 million), respectively. Although we have historically experienced a low rate of default on mortgage loans guaranteed by us, we cannot assure you that such purchaser default rates will not increase in the future. If such default occurs and our relevant guarantee is called upon, our business, results of operations and financial condition could be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

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

We provide post-sales property management services to the owners of certain residential projects that we have developed through a majority owned property management subsidiary in the PRC. The services include rental agency, security management, maintenance, shuttle bus services, clubhouse operation, gardening and landscaping and other customer services. Under PRC laws and regulations, the home owners in a residential community have the right to change the property management company through collective action. If owners of the projects that we have developed elect to discontinue our property management services, our branding strategy and the marketing of our future property development could be adversely and significantly affected.

The hotel industry is dependant on the levels of business and leisure travel, demand for and supply of hotel rooms and other factors

A number of factors, many of which are common to the hotel industry and are beyond our control, could affect our business, including the following:

- adverse development in general economic conditions;
- dependence on business, commercial and leisure travelers and tourism;
- dependence on meeting and conference business;

- the impact of acts of war or increased tensions between certain countries, increased terrorism threats, terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, outbreaks of diseases and health concerns, rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travelers;
- adverse effects of international market conditions, which may diminish the demand for first class and luxury leisure travel or the need for business travel, as well as national, regional and local political, economic and market conditions where our hotels operate and where our customers live;
- increased competition and periodic local oversupply of guest accommodation, which may adversely affect occupancy rates and room rates;
- increases in operating costs due to inflation, labor costs (including the impact of unionisation), workers' compensation and health-care related costs, utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs such as acts of nature and their consequences and other factors that may not be offset by increased room rates;
- seasonality in travel patterns;
- changes in interest rates and in the availability, cost and terms of debt financing; and
- changes in governmental laws and regulations (including trade restrictions), fiscal policies and zoning ordinances and the related costs of compliance.

These factors could have a material adverse effect on our hotel operations. For example, in 2009, the occupancy rates of our hotels decreased primarily as a result of the global economic slowdown and financial crisis that began in the second half of 2008 and the threat of the human H1N1 flu epidemic in 2009. The factors described above have affected and will continue to affect our hotel operations, which in turn will affect our financial condition and results of operations.

We incur significant construction and capital expenditures for development and renovation of investment properties and hotels and certain fixed costs in relation to hotel and rental property operations

Unlike properties developed for sale which can be pre-sold (subject to applicable PRC laws relating to pre-sales) to finance other property developments, our investment properties and hotels require significant upfront capital expenditures but generate no cash inflow until the development has been completed and the hotel operation or the lease with respect to the relevant investment properties commences. In addition, our existing investment properties and hotels, and all of our future investment properties and hotels, will require continuing capital expenditures associated with renovations and other capital improvements, some of which are mandated by health, safety or other regulations or by the hotel management partners. The cost of construction and capital improvements could have a material adverse effect on our business, financial condition and results of operations.

The fixed costs associated with owning hotels and investment properties, including rental property operating and maintenance expenses, hotel operating and maintenance expenses, taxes, other fees and payments, may be significant. There may not be sufficient and consistent market demand for hotels and rental properties in our target markets. We may be unable to reduce the fixed costs in a timely manner in response to a decline in demand for our hotel services or investment properties for rental, and any failure to adjust our fixed costs may adversely affect our business, financial condition and results of operations. Moreover, our hotels and investment properties may be subject to increases in operating and other expenses due to adverse changes in contractual terms and increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, which could materially adversely affect our business, financial condition and results of operations.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability

We reassess the fair value of our investment properties at every reported balance sheet date. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our income statements in the period in which they arise. Our valuations are based on current prices in an active market for similar properties or estimated by adopting income capitalization approach based on existing and current market rents for similar properties, using capitalization rates that reflect current market assessments of the uncertainty in the market. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognized changes in fair values of investment properties and the relevant deferred tax in our consolidated income statements. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we recognized fair value gains on our investment properties of RMB1,155.3 million, fair value losses of RMB122.7 million, fair value gains of RMB213.8 million (US$31.5 million) and fair value gains of RMB1,008.4 million (US$148.7 million), respectively.

Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control and we cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at the historical levels, or at all, or that the fair value of our investment properties will not decrease in the future. If the fair value of our investment properties declines, our profitability would be materially and adversely affected.

Our results of operations may be affected by the performance and reputation of the hotel management partners that manage our hotels

Some of our hotels are managed by third-party hotel management partners pursuant to management agreements and other related agreements. Therefore, our results of operations may be affected by the performance of these hotel management partners, as well as any adverse publicity or other adverse developments that may affect these companies or their brands generally.

Under the terms of these management agreements, the third-party hotel management partners control the daily operations of our hotels. Although we monitor our hotel management partners' performance, we do not have the direct authority to require any hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel (for instance, setting room rates or managing hotel operating staff). Thus, even if we believe our hotels are being operated inefficiently or in a manner that does not result in optimal or satisfactory occupancy rates, gross operating profit margins or other performance indicators, we may not be able to require the management partners to change the way they manage our hotels.

All revenue generated by our hotels, including credit card receivables, is paid into an operating account held by us, from which operating and other expenses for the relevant hotels (including certain taxes), management fees and deposits into any reserve funds required by the applicable management agreement are drawn. In addition, in the event that we wish to replace any of our management partners, we may be unable to do so under the terms of our management agreements or we may need to pay substantial termination fees and may experience disruptions at the affected hotels. The effectiveness and performance of the hotel management partners in managing our hotels will, therefore, significantly affect the revenue, expenses and value of our hotels.

Our hotel management partners and our anchor tenants may have interests that are not aligned with our objectives for our hotels and investment properties

Our hotel management partners and anchor tenants that rent and operate the retail units owned by us have non-exclusive arrangements with us and may own, operate or franchise other properties, including the properties that may compete with the properties owned by us. Therefore, the hotel management partners and our anchor retail tenants may have interests that differ from with our interests with respect to short-term or long-term goals and objectives. To the extent the interests of our hotel management partners and anchor retail tenants conflict with our interests, the operation of our hotel and retail properties can be disadvantaged and harmed.

Our financing costs are affected by changes in interest rates

Our financing costs and as a result, our business, financial condition and results of operations, are affected by changes in interest rates. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC. From October 20, 2010 to the date of this document, the PBOC increased the benchmark one-year lending rate three times, from 5.31% to 6.06%. The PBOC may raise lending rates in the future, in which case our business, financial condition and results of operations will be adversely affected as a result. We are also exposed to fluctuations in the Hong Kong Interbank Offered Rate ("HIBOR") and the London Interbank Offered Rate ("LIBOR"). Our credit facilities entered into with China Construction Bank (Asia) Corporation Limited and China Construction Bank Corporation, Hong Kong Branch, and the Hong Kong dollar tranche of our 2010 Syndicated Loan Facilities carry interest rates linked to HIBOR. Our US$250 million Senior Floating Rate Notes due 2011 and the U.S. dollar tranche of our 2010 Syndicated Loan Facilities carry interest rates linked to LIBOR. For details on such indebtedness, see "Description of Other Material Indebtedness." Higher interest rates may increase our finance costs, and our business, financial condition and results of operations could be adversely affected. As of June 30, 2010, we had RMB29,193.8 million of outstanding borrowings (including the 2006 Notes), and the effective interest rate on our outstanding borrowings (including the 2006 Notes) was approximately 4.90%. Our interest expenses on the total borrowings, including the 2006 Notes and the 2008 Short Term Notes, for 2007, 2008 and 2009 and the six months ended June 30, 2010, were RMB719.6 million, RMB1,072.8 million, RMB1,143.1 million (US$168.6 million) and RMB687.9 million (US$101.4 million), respectively.

The illiquidity of property investments and the lack of alternative uses of hotel and retail properties could significantly limit our ability to respond to adverse changes in the performance of our properties

Because property investments in general are relatively illiquid, 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 various factors, such as general economic conditions, availability of financing, interest rates, supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for 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. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. In addition, if we sell an investment property during the term of that property's management agreement or tenancy agreement, we may have to pay termination fees to our hotel management partners or our anchor retail tenants.

In addition, hotels and retail properties may not be readily converted to alternative uses if they became unprofitable due to competition, age, decreased demand or other factors. The conversion of hotel and retail properties to alternative uses generally requires substantial capital expenditures. We cannot assure you that we will have sufficient funds to carry out the conversion. These factors and any others that would impede our ability to respond to adverse changes in the performance of our hotels and retail properties could affect our ability to compete against our competitors and results of operations.

Our Chairman, Mr. Hui Wing Mau, is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As of November 30, 2010, approximately 59.78% of our outstanding shares were beneficially owned by Mr. Hui Wing Mau. Subject to compliance with applicable laws, by maintaining such ownership, Mr. Hui Wing Mau is able to exercise substantial influence over our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In addition, Mr. Hui Wing Mau owns a number of private companies based in the PRC and Hong Kong (collectively the "Private Group"). Under the present contracutal non-competition undertaking arrangement, subject to certain exceptions, the Private Group is not permitted to undertake any business that competes with us in the PRC, except for the existing projects undertaken by the Private Group as of October 27, 2007. See the section entitled "Related Party Transaction — Non-competition Undertaking." Furthermore, being our Chairman, Mr. Hui Wing Mau is able to exercise substantial control over our business. In particular, the strategic goals and interests of Mr. Hui Wing Mau may not be aligned with our strategy and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base.

A deterioration in our brand image could adversely affect our business

We regard the "Shimao" brand name and the related trademarks and devices we use as important assets to our business. Any negative incident or negative publicity concerning us or our property developments could adversely affect our reputation and business. Brand value is based largely on subjective consumer perceptions and can be damaged even by isolated incidents that degrade consumer trust. Consumer demand for our products and our brand value could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently positive consumer experience in each of our complexes, or if we are perceived to act in an unethical or socially irresponsible manner. In addition, any unauthorized use or infringement of our brand name may impair the value we have built in our brand name, damage our reputation and materially and adversely affect our business and results of operations.

Our success depends on the continued service of our Chairman, Mr. Hui Wing Mau, and continued efforts of other management and key personnel

We depend on the continued service of our Chairman, Mr. Hui Wing Mau. He has over 20 years of experience in the property development, property investment and hotel operation and in-depth knowledge of the PRC real estate industry, strategic planning and business management. If we lose the services of Mr. Hui Wing Mau, our business could be adversely affected.

In the PRC real estate industry, competition for senior management and key personnel is intensive while the pool of qualified candidants is very limited, and we cannot assure you that any member of senior management or other key personnel is willing or able to continue in his or her present position or that we will be able to find and hire a suitable replacement, or if he or she is recruited by a competitor or departs to start a competing business. Moreover, along with our growth and expansion into other regional markets in the PRC, we will need to employ, train and retain additional suitable skilled and qualified management and employees from a wider geographical area. If we cannot attract and retain suitable personnel, our business and future growth may be materially and adversely affected.

Disputes with joint venture partners may adversely affect our business

We have, and expect to have in the future, interests in PRC joint venture entities in connection with our property development plans. We do not have control of the board of directors of certain joint venture companies, including Fast Right Investments Limited, Kingtron Enterprises Limited, Top Grand International Enterprise Limited, Hangzhou Shimao Shiying Real Estate Development Co., Ltd., Haishu Investment Management (Hangzhou) Co., Ltd., Straits Construction Investment (Holdings) Limited, Huizhou Fumao Property Development Co., Ltd. and Tianjin Jinnan New City Real Estate Development Co., Ltd., and therefore we do not have the right to control the management of these joint venture companies. A deterioration in our relationship with the other joint venture partners could have a material adverse effect on our business, financial condition, results of operations and prospects.

We expect to develop the Asian Games City Project through the Asian Games JV, in which we will hold a minority equity interest. We have not entered into any formal shareholders agreement in relation to the Asian Games JV, but we believe we have maintained a good working relationship with the other joint venture partners to date. Should the current cooperative relationship change, we may be unable to exercise our expected rights in respect of the Asian Games City Project (including its strategies and operations). For example, a deterioration in our relationship with the other joint venture partners could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, in accordance with PRC law, certain matters relating to a joint venture require the consent of all parties to the joint venture. PRC joint ventures may involve risks associated with the possibility that our joint venture partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfil their obligations under the relevant joint venture agreements; or
- have financial difficulties.

Furthermore, any actual or perceived deterioration in the reputation of our joint venture partners could have an adverse impact on our business operations, profitability and prospects.

In addition, a disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. Our joint venture partners or project development partners may be unable or unwilling to perform their obligations under the relevant agreements, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise. A serious dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could adversely affect our business, financial condition and results of operations and would divert resources and management's attention.

Should a situation arise in which we cannot complete a project being jointly developed with our joint venture partners or property development partners, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition. See "— We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations and may face significant liabilities as a result." In addition, even if a jointly developed project is successfully completed, the project may not be well received by the market and we may not realize all the benefits we anticipated.

We cannot assure you that we will not encounter any of the foregoing problems with respect to our joint venture partners or project development partners. Our capital contributions to the joint development projects may not be offset by revenues or other benefits from such projects. Furthermore, we cannot assure you that properties in our joint development projects will be well received by the market. If our joint venture entities experience any delay or difficulty in the development of the projects due to any of the above factors or if the projects are not as well received by the market as anticipated, there could be a material adverse effect on our business, financial condition, results of operations and prospects.

We may be adversely affected by performance of independent contractors

In line with industry practice, we engage independent contractors to provide various property development services, including construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. We select independent contractors through open tenders. We typically invite contractors to tender bids based on their reputation for quality, track record, price and references, and once a contract is awarded, we supervise the construction progress. However, we cannot assure you that the services rendered by any of these independent contractors or subcontractors will be completed in a timely manner or be of satisfactory quality. If the performance of any independent contractor is not satisfactory, we may need to replace that contractor or take other remedial actions, which could increase the cost and lengthen the time required to complete the work and the whole project. In addition, we are expanding our business into other regional markets in China, and there may be a shortage of contractors that meet our quality requirements in such markets. Moreover, contractors may undertake projects for other developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for us on time or within budget. Any of the above factors could have a material and adverse effect on our reputation, business, results of operations and financial condition.

Our profit margin is sensitive to increases in the cost of construction materials

A significant component of our cost of sales is construction costs, which are susceptible to the price volatility of construction materials such as steel and cement. The purchase cost for construction materials are generally accounted for as part of the contractor fees pursuant to our arrangements with the relevant contractors. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to re-negotiate existing construction contracts to top up payment to, or receive refunds from, the contractors, depending on the price movement. In addition, as we typically pre-sell our properties prior to their completion, we may not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. As such, our profit margin is sensitive to changes in the market prices for construction materials and our profit margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

Our enterprise income tax obligations may increase

In March 2007, the NPC enacted the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "2008 Tax Law"), which took effect on January 1, 2008. The 2008 Tax Law imposes a unified income tax rate of 25% on all domestic and foreign-invested enterprises unless they qualify under certain limited exceptions. According to the 2008 Tax Law, enterprises that are subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transition to the unified tax rate within five years after January 1, 2008. For the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our enterprise income tax expenses were RMB679.9 million, RMB304.4 million, RMB1,161.7 million (US$171.3 million) and RMB867.9 million (US$128.0 million), respectively.

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

We are a holding company that is financially dependent on distributions from our subsidiaries and our business operations are principally conducted through our PRC subsidiaries. Prior to December 31, 2007, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends paid to us by our PRC subsidiaries, were exempt from PRC withholding tax. The 2008 Tax Law and the Regulations for Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (together with the 2008 Tax Law, the "2008 Tax Laws"), effective January 1, 2008, provide that any dividend payment to foreign investors will be subject to a withholding tax at a rate of 10%. Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, a company incorporated in Hong Kong may be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. Many of our PRC subsidiaries are currently wholly owned by Hong Kong subsidiaries. However, according to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures (Trial) for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知), which became effective on October 1, 2009, the 5% withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation treaties. Moreover, according to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will grant approvals on the 5% withholding tax rate on dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries.

Under the 2008 Tax Laws, we may be classified as a "resident enterprise" of the PRC, which could result in unfavorable tax consequences to us

Under the 2008 Tax Laws, an enterprise established outside of China with "de facto management organization" located within China will be considered a "resident enterprise" in the PRC and consequently it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the 2008 Tax Laws define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. However, it is unclear how the PRC tax authorities will determine whether an entity will be classified as a "resident enterprise." If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income sourced from outside the PRC would be subject to PRC enterprise income tax at a rate of 25%, whereas no direct tax is imposed on enterprises under the laws of the Cayman Islands.

In addition to the uncertainty as to the application of the new "resident enterprise" classification, there can be no assurance that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the 2008 Tax Laws, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the 2008 Tax Laws and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect our results of operations and financial condition.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations

Under PRC tax laws and regulations, our PRC subsidiaries that are in the property development business are subject to LAT which is collected by the local tax authorities. 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 as defined by the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by the local tax authorities. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, LAT charged to our income tax expense was RMB754.3 million, RMB520.5 million, RMB554.5 million (US$81.8 million) and RMB333.6 million (US$49.2 million), respectively. For the same periods, we made payments for provisional LAT in the amount of RMB74.5 million, RMB159.6 million, RMB322.1 million (US$47.5 million) and RMB440.7 million (US$65.0 million), respectively. Our LAT provision balance as of December 31, 2007, 2008 and 2009 totaled RMB2,061.6 million, RMB2,451.5 million, RMB3,191.8 million (US$470.7 million) and RMB3,233.1 million (US$476.8 million), respectively. Our LAT provisions are based on our estimate of the portion of our apartment units and residential parts of our combined-use buildings that are eligible for the exemption available to ordinary residential properties. We cannot assure you that the tax authorities will agree with our estimation or the basis on which we calculate our LAT obligations. In the event that the tax authorities assess us with additional LAT and we are unable to successfully challenge such assessments, our net profits after tax may be adversely affected. We cannot assure you that the LAT obligations we are to assess and provide for in respect of the properties that we develop will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

Effective February 1, 2007, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知), which requires that:

- final settlement of LAT will be conducted on a project-by-project basis. For multi-phase projects, each phase will be required to undergo the LAT clearance and settlement process;
- the appreciated value of ordinary residential properties and non-ordinary residential properties contained within a project shall be calculated separately; and
- property developers must conduct final settlement if one of the following conditions is satisfied:
  - the project is completed and has been sold entirely;
  - the project is transferred as a whole before the completion of the construction; or
  - the land-use rights of the project are transferred.

This notice also stipulates that the PRC tax authorities may require the property developer to conduct final LAT settlement if one of the following conditions is met:

- for completed projects, the area sold exceeds 85% of the total saleable area or, though less than 85%, the rest of the saleable area has already been rented or is being self-used;
- the project has held a sale/pre-sale license for at least three years but has not been sold entirely;
- the taxpayer has applied for tax de-registration but the LAT settlement has not been conducted; or
- other situations set forth by the provincial PRC tax authorities.

Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations and there are uncertainties as to how they will enforce this notice. In the event that relevant tax authorities change their requirements as to the amount or timing of payment of provisional LAT, our cashflow may be materially and adversely affected. See the section entitled "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Selected Income Statement Items — Income Tax Expenses."

We may not receive full compensation for assistance we provide to local governments to clear land for government land sales

In certain cases where we are interested in acquiring land, we assist local governments in clearing the land and relocating the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, under which we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realized by the local government on the land sale. However, we do not have the exclusive right to acquire the land use rights. We also do not control the timing of the sale of the land use rights in respect of the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process. We cannot assure you that we will win bids in a timely manner or at all; nor can we assure you that the relevant land authorities will achieve an optimal price for the sale of such land use rights. We cannot assure you that we will be reimbursed for the expenses that we incur in connection with such land clearance, nor can we assure you that we will receive any profit from such land use right sales. Furthermore, the PRC State Council on January 3, 2008 issued the Notice to Enhance the Economical and Intensive Use of Land (關於促進節約集約用地的通知), which requires the use of a public bidding process in selecting companies to assist the local governments with land clearance work. This new requirement may limit our ability to participate in such land clearance work in the future. We cannot assure you that the PRC government will not issue any additional laws or regulations revoking the land clearance agreements that we have entered into with the local governments.

Our land use rights may be subject to forfeiture by the PRC government if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, if we fail to commence development 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 on the land of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government and subject to an idle land fee of up to 20% of the land premium, unless the delay in development is caused by government actions or force majeure. Moreover, even if the time of commencement of the land development is in line with the land grant contract, if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract; and (ii) the development of the land has been suspended for over one year without government approval, the land will be treated as idle land.

As of the date of this document, we have not commenced the construction work for certain of our projects as required by the relevant land grant contracts. However, we do not expect these projects are subject to idle land fees or forfeiture primarily for the following reasons: (i) delays in construction work with respect to certain parcels of project land were due to the failure to complete the requisite demolition works by the local governments; and (ii) we have entered into supplemental agreements with the relevant local authorities to extend the commencement of construction. As the date of this document, we have not been required to pay any idle land fees or penalties in respect of idle land, and none of our land had been forfeited by the government as a result of being idle. However, we cannot assure you that there will be no significant delays in the commencement of construction or the development of our properties in the future, or that our developments will not be subject to idle land penalties or be taken back by the government as a result of such delays. The imposition of substantial idle land penalties could have a material and adverse affect on our business, results of operations and financial condition. If any of our land is taken back by the government, we would not only lose the opportunity to develop the property, but we would also lose our prior investments in the development, including land premiums paid and costs incurred in connection with such land.

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

Most 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 the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under PRC law, monthly mortgage payments are limited to 50% of an individual borrower's monthly income. In addition, to curtail the overheating of the property sector, between 2006 and 2008, the PRC government implemented, among other things, regulations that increased the down payment requirement for mortgage loans in respect of residential and commercial properties. Beginning in the second half of 2008, in order to mitigate the impact of the recent global economic slowdown, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding the PBOC benchmark bank lending rates. Furthermore, the minimum down payment ratio for residential properties was lowered to 20% for units with a unit floor area of less than 90 sq.m. per unit. However, to curtail the overheating of the PRC property market, the General Office of the State Council on January 7, 2010 issued the Circular on Facilitating the Stable and Healthy Development of Property Market (關於促進房地產市場持續健康發展的通知), which provides that the down payment for the second property bought with mortgage loans shall not be less than 40% of the total purchase price. On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities [Guofa (2010) No. 10] (國務院關於堅决遏制部分城市房價過快上漲的通知), which stipulated that down payment for the first property that is larger than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall not be less than 50% of the purchase price and the loan interest rate shall not be lower than 110% of the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans. In certain areas where commodity residential properties are in short supply and prices rise too quickly, the banks may suspend granting 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 more than one year. On April 30, 2010, Beijing Municipal Government issued the Circular on Implementation of the Notice on Resolutely Containing the Excessive Hike of Property Price in Some Cities by the State Council (北京市人民政府貫徹落實國務院關於堅决遏制部分城市房價上漲文件的通知), under which one household is allowed to purchase only one new residential unit in Beijing, effective from the date of issuance of the circular. On May 26, 2010, the Ministry of Housing and Urban-Rural Development, the PBOC and the CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Housing Unit in Connection with Commercial Mortgage 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 housing units owned by an individual purchaser who is applying for mortgage loans shall be determined by taking into account of all housing units 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 purchasers of second or subsequent housing units shall be subject to different credit policies when applying for mortgage loans. On September 29, 2010, the PBOC and the 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通知), which raised the minimum down payment to 30% for all first home purchases with mortgage loans, and required commercial banks in China to suspend mortgage loans to customers for their third residential property purchases and beyond. On November 2, 2010, the MOHURD, the Ministry of Finance and the PBOC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Fund Loans (關於規範住房公積金個人住房貸款政策有關問題的通知), which provided that, among other things, (i) where a first house purchaser (including the borrower, spouse and minor children) uses housing funds to buy an ordinary house for self-use with a unit floor area of (a) less than 90 sq.m. (and including 90 sq.m.), the minimum down payment shall not be less than 20%, (b) more than 90 sq.m., the minimum down payment shall not be less than 30%; (ii) for a second house purchaser that uses housing funds, the minimum down payment shall not be less than 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing fund loan shall be only available to families whose per capita housing area is below the average in the locality and such loan is only used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing fund loans to families for their third residential property and beyond are suspended. On January 26, 2011, the General Office of the State Council promulgated the Notice on Relevant Issues of Further Improvement of the Control in Real Estate Market《進一步做好房地產市場調控工作有關問題的通知》, which raised the minimum down payment for second house purchases from 50% to 60%. If the availability or attractiveness of mortgage financing is further reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

In addition, in line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sales of our properties, which could adversely affect our business, financial condition and results of operations. We cannot assure you that such changes in laws, regulations, policies or practices will not occur in the future.

There is no assurance that certain current ancillary facilities will continue to provide services to the owners or users of our property developments

The ancillary facilities within our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thus offering a better living environment to the owners and users of our properties. However, we do not operate or manage some of the ancillary facilities, such as schools and hospitals. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that these facilities cease to operate in our residential communities, our properties may become less attractive and competitive and this may adversely affect the value of our properties.

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as the nature of the adjoining properties. Environmental laws and conditions, may cause us to incur substantial compliance and other costs and can prohibit, delay, or severely restrict project development activity in environmentally-sensitive regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request us to submit the environmental impact documents, issue orders to suspend construction and impose a penalty amounting up to RMB100,000 for each of our projects for which approval of the environmental impact assessment document has not been granted prior to the commencement of construction. For certain of our projects, we did not submit the environmental impact assessment documents although we have obtained the relevant government approvals to commence the development of these projects. We have completed the construction of the relevant properties. However, we cannot assure you that the local authorities will not impose a penalty upon us with respect to these projects due to the lack of such environmental impact documents or that an environmental investigation with respect to these projects in the future would not reveal material environmental liabilities.

In addition, PRC law requires environmental facilities to be included in a property development to pass the inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our residential and hotel property projects have environmental facilities that are subject to this requirement. If we fail to comply with such requirement, the local environmental authorities may order us to suspend the construction or use of such facilities, which may disrupt our operations and adversely affect our business. The authorities may also impose on us a fine of up to RMB100,000 per breach in respect of such projects. We are currently applying for the completion approval of environmental facilities, principally related to the treatment of water, for two of our residential property projects. We cannot assure you that we can obtain such approvals in a timely manner, or at all. In the event that such completion approvals cannot be obtained or if fines are imposed on us, our business, results of operations and financial condition may be materially and adversely affected.

We may suffer certain losses not covered by insurance

We do not carry comprehensive insurance against potential losses or damages with respect to our properties under development other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the loan agreements. We believe that such liabilities should be borne by construction companies. In addition, we do not carry insurance for any liability arising from tortious acts committed or alleged to have been committed on work sites. We cannot assure you that we will not be sued or held liable for damages due to such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquake, war, civil unrest and certain other events of force majeure. If we suffer from any losses, damages and liabilities in the course of our operations and property development, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition.

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 construct or sell. We are required to provide these warranties to our customers. Generally, we 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, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

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

We may be involved in disputes with various parties involved in the construction, development and the sale of our properties, including contractors, suppliers, construction workers, joint venture partners and property purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, incurrence of substantial costs and the diversion of resources and management's attention. As many of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the relevant project is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. These disputes and legal and other proceedings may materially and adversely affect our reputation and our business, results of operations and financial condition. See the section entitled "Business — Legal Proceedings."

In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. If we fail to comply with any applicable PRC laws or regulations, our reputation and our business, results of operations and financial condition may be materially and adversely affected.

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

The PRC government has in the past imposed 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. On May 23, 2007, the MOFCOM and the SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (關於進一步加强、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 high-end properties should be strictly controlled;

- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, either (i) both the land use right certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;

- foreign-invested real estate enterprises approved by local authorities shall immediately register with the 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 the MOFCOM or fail to pass the annual inspection.

In June 2008, the MOFCOM issued the Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知), often known as "Notice No. 23." According to Notice No. 23, the MOFCOM entrusts provincial MOFCOM departments to verify materials on records of foreign-invested real estate enterprises. Notice No. 23 requires that the establishment (including the increase of registered capital) of a foreign-invested real estate enterprise shall comply with the project company principle of engaging in one approved real estate project only.

In addition, in December 2010, the MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry (關於加强外商投資房地產業審批備案管理的通知), which, among other things, provides that where a real estate enterprise is established within the PRC with foreign capital, it is prohibited to purchase and/or sell real estate properties, completed or under construction, within the PRC for arbitrage purposes. The local MOFCOM authorities shall not approve investment companies to engage in real estate development and management.

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 an adverse effect on our business, financial condition and results of operations.

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

Facts and statistics in this document 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 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.

We benefit from government grants which may be withdrawn

In the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, certain of our subsidiaries, including Taizhou Shimao New Development Property Co., Ltd., have received incentive grants from relevant government authorities in respect of the business operated by our Group in various areas. These government grants are given to encourage the furtherance of our business. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we received a total government grants of RMB1.0 million, RMB4.3 million, RMB136.5 million (US$20.1 million) and RMB18.3 million (US$2.7 million), respectively. Governmental grants are one-off, non-recurrent payments and vary according to local governmental policies. The amounts granted were determined and paid at the sole discretion of respective government authorities. We cannot assure you that the amount of subsidies granted to us in the past will be paid in any future period. In the event that we are no longer eligible for such grants for any reason, including if we fail to comply with the conditions imposed on such grants, our business, financial condition and results of operations could be materially and adversely affected.

Risks Relating to Our Industry

The PRC property market has been cyclical and our property development activities are susceptible to significant fluctuations

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major provinces and cities in China, including Shanghai and Beijing, in the early 1990s culminated in an over-supply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC cities such as Shanghai and Beijing therein have experienced rapid and significant growth. In recent years however, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of over-supply and falling property prices that occurred in the mid-1990s will not recur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition. The PRC property market is also susceptible to the volatility of the global economic conditions as explained in "— Risks Relating to Our Business — The recent global economic slowdown and financial crisis have negatively impacted, and may continue to negatively impact, our business."

The cyclical nature of the property market in the PRC affects the optimal timing for the acquisition of sites, pace of development as well as the sale of properties. This cyclicality, combined with the lead time required for completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

The PRC government may adopt further measures to cool down the overheating of the property sector

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must 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 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.

From 2004 to 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, including:

- suspending or restricting land grants and development approvals for villas and larger-sized units;
- charging an idle land fee 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 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 the approval by the Ministry of Construction (the "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.

Regional and local governments are responsible for the implementation of the 70:90 rule. We have not seen this policy being stringently applied across all its applicable regions in China. If for any reason, political, economic, social or otherwise, these regional or local governments begin to stringently implement this policy, this may lead to an oversupply of units with floor area of less than 90 sq.m., increasing competition in this market segment and affecting the prices and profit margins of such type of property. This may also affect our existing and future business development plans. As a result, our business, financial condition, results of operations and prospects may be adversely affected.

Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage domestic consumption in the residential property market and support property development. We cannot assure you that such economic recovery measures will continue to be implemented. These policies may not necessarily have a positive effect on our operations and our future business development; and the PRC government may revise or terminate such favorable policies according to changes in market conditions. For example, since December 2009, the PRC government adjusted some policies in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain regions and cities. At the same time, the PRC government abolished certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposed more stringent requirements on the payment of land premium by property developers. In addition, the PRC government identified certain policy measures to increase down payment for properties purchased with mortgage loans, limit the number of houses that a single household may purchase, increase the supply of affordable housing to low- and middle-income families, increase the supply of public housing to targeted populations and restrict foreign investments in properties in China. For a more detailed description of the PRC government's measures to curtail the overheating of the PRC property market, see the section entitled "Regulation — The Land System of the PRC — National Legislation." These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China. 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, financial condition, results of operations and prospects may be materially and adversely affected.

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

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC, particularly in Shanghai and Beijing, has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. We cannot predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

Limited availability of accurate financial and market information and the general low level of transparency in China contribute to overall uncertainty. Purchasers and investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property.

Furthermore, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, property prices may fall significantly and our revenue and results of operations will be adversely affected.

If as a result of any one or more of these or similar factors as described above, demand for residential property or market prices decline significantly, our business, results of operations and financial condition may be materially and adversely affected.

Risks Relating to the PRC

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us

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

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

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

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. However, since early 2004, the PRC government has implemented certain measures in order to prevent the PRC economy, including the property market, from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. If China's economic growth decreases or if the PRC economy experiences a recession, the growth in demand for our products may also decrease and our business, financial condition and results of operations will be adversely affected. See "— Risks Relating to Our Business — The recent global economic slowdown and financial crisis have negatively impacted, and may continue to negatively impact, our business."

In addition, demand for our products and our business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;

- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

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

Our business and operations are primarily conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in the PRC, in particular, in regions where our property development projects are located. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and subsequently, resulting in tremendous loss of lives and injury and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operations.

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of June 30, 2010 on an actual basis. The following table should be read in conjunction with the selected consolidated financial information and the unaudited condensed interim consolidated financial statements and related notes included in this document.

	As of June 30, 2010	
	Actual	
	(RMB)	(US$)
	(in thousands)	
Cash and cash equivalents (excluding restricted cash)[(1)]	8,657,471	1,276,631
Current debt:[(2) (3) (4)]		
Bank borrowings — secured	749,250	110.484
Bank borrowings — unsecured	515,000	75,942
Current portion of long-term borrowings	3,315,800	488,948
Total current debt	4,580,050	675,374
Non-current debt:[(3) (4) (5)]		
Bank borrowings — secured[(7)]	22,886,865	3,374,897
Bank borrowings — unsecured	1,071,000	157,930
2006 Notes[(8)]	3,971,693	585,666
Less:Amounts due within one year	(3,315,800)	(488,948)
Total non-current debt	24,613,758	3,629,545
Share capital	362,111	53,397
Reserves		
- Proposed dividend	463,801	68,392
- Others	23,750,836	3,502,298
Total equity attributable to our equity holders	24,576,748	3,624,087
Total capitalization	49,190,506	7,253,632

Notes:

(1) As of June 30, 2010, cash and cash equivalents excluded restricted cash of RMB672.4 million (US$99.1 million). Restricted cash consists principally of guarantee deposits for the benefit of mortgage loan facilities granted by banks to the purchasers of properties and bank deposits pledged as collateral for the borrowings.

(2) Our current debt includes the current portion of long-term borrowings.

(3) As of June 30, 2010, RMB19,554.2 million (US$2,833.5 million) of our current and non-current debts had been incurred by our PRC subsidiaries.

(4) Our debt does not include any accrual for capital commitments or contingent liabilities. As of June 30, 2010, our consolidated capital commitments were RMB31,247.9 million (US$4,607.8 million) and our contingent liabilities, all of which were in the form of guarantees that we have provided to our customers in relation to their purchase of our properties, amounted to approximately RMB5,019.2 million (US$740.1 million). See "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Liquidity and Capital Resources — Contractual Commitments" and "— Contingent liabilities."

(5) Non-current debt excludes current portion of long-term borrowings.

(6) Total capitalization includes total non-current debt plus total equity attributable to our equity holders.

(7) This amount does not include any additional borrowings or repayments after June 30, 2010, including any amount outstanding under (i) the facility agreement that Shanghai Shimao Rivera (Hong Kong) Ltd. entered into on June 22, 2010 (as amended on July 14, 2010 (as amended on July 14, 2010) with the Hongkong and Shanghai Banking Corporation Limited in connection with a revolving facility of up to HK$827 million and a term loan facility of HK$408 million, which were drawn on August 31, 2010 and (ii) the facility agreement entered into on October 22, 2010 by Shanghai Shimao Riviera (Hong Kong) Ltd with the Hongkong and Shanghai Banking Corporation Limited as the lender in connection with a term loan facility of up to HK$150 million, which was drawn on February 25, 2011. See"Description of Other Material Indebtedness — 2010 Syndicated Loan Failities, — 2010 HSBC (Hong Kong) Facilities I and — 2010 HSBC (Hong Kong) Facility II."

(8) We intend to finance the redemption of the outstanding principal amount of our 2006 Floating Rate Notes from the proceeds of the offering.

Except as otherwise disclosed in this document, there has been no material adverse change in our capitalization since June 30, 2010. See "Description of Other Material Indebtedness."

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated income statement data for the years ended December 31, 2007, 2008 and 2009 and the selected consolidated balance sheet data as of December 31, 2007, 2008 and 2009 set forth below (except for EBITDA data) have been derived from our audited consolidated financial statements for such years and as of such dates, as audited by PricewaterhouseCoopers, our independent certified public accountants, and included elsewhere in this document. The selected consolidated income statement data for the six months ended June 30, 2009 and 2010 and the selected consolidated balance sheet data as of June 30, 2010 set forth below (except for EBITDA data) have been derived from our unaudited condensed interim consolidated financial statements for such periods and as of such date included elsewhere in this document. Results for the interim periods are not necessarily indicative of results for the full year. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The selected 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 document.

Selected Consolidated Income Statement and Other Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2007	2008	2009	2009	2009	2010	2010
	(RMB)	(RMB)	(RMB)	(US$)	(RMB) Unaudited	(RMB) Unaudited	(US$) Unaudited
				(in thousands)			
Revenue	9,275,925	7,196,277	17,032,063	2,511,548	4,967,684	10,024,469	1,478,208
Costs of sales	(5,315,775)	(3,964,242)	(11,149,395)	(1,644,090)	(3,538,987)	(6,701,905)	(988,263)
Gross profit	3,960,150	3,232,035	5,882,668	867,458	1,428,697	3,322,564	489,945
Gains on deemed disposal to minority interests	—	—	1,501,093	221,351	1,395,849	—	—
Fair value gains/(losses) on investment properties	1,155,253	(122,749)	213,834	31,532	54,544	1,008,429	148,703
Other gains	1,614,054	442,118	158,609	23,388	73,295	194,460	28,675
Selling and marketing costs	(192,433)	(281,756)	(470,427)	(69,369)	(156,757)	(208,725)	(30,778)
Administrative expenses	(757,384)	(1,065,837)	(1,107,286)	(163,280)	(568,928)	(457,461)	(67,457)
Other operating expenses	(117,412)	(75,053)	(179,961)	(26,537)	(9,246)	(52,265)	(7,707)
Operating profit	5,662,228	2,128,758	5,998,530	884,543	2,217,454	3,807,002	561,381
Finance income	102,543	28,005	30,466	4,493	9,837	27,353	4,033
Finance costs	(269,774)	(377,635)	(337,653)	(49,790)	(195,250)	(245,136)	(36,148)
Finance costs — net	(167,231)	(349,630)	(307,187)	(45,297)	(185,413)	(217,783)	(32,115)
Share of results of:							
- Associated companies	112,870	(3,132)	19,925	2,938	19,926	—	—
- Jointly controlled entities	175	9,498	(1,072)	(158)	641	7,796	1,150
	113,045	6,366	18,853	2,780	20,567	7,796	1,150
Profit before income tax	5,608,042	1,785,494	5,710,196	842,026	2,052,608	3,597,015	530,416
Income tax expense	(1,434,257)	(925,226)	(2,107,212)	(310,729)	(798,711)	(1,201,503)	(177,174)
Profit for the year/period	4,173,785	860,268	3,602,984	531,297	1,253,897	2,395,512	353,242

	For the year ended December 31,				For the six months ended June 30,		
	2007	**2008**	**2009**	**2009**	**2009**	**2010**	**2010**
	(RMB)	**(RMB)**	**(RMB)**	**(US$)**	**(RMB) Unaudited**	**(RMB) Unaudited**	**(US$) Unaudited**
				(in thousands)			
Profit for the year/period attributable to:							
Equity holders of the Company	4,091,782	841,159	3,511,201	517,762	1,198,724	2,109,760	311,105
Minority interests	82,003	19,109	91,783	13,535	55,173	285,752	42,137
	4,173,785	860,268	3,602,984	531,297	1,253,897	2,395,512	353,242
Other Financial Data							
EBITDA[(1)]	3,256,646	2,098,818	4,702,185	693,384	890,298	2,915,479	429,917
EBITDA margin[(2)]	35.1%	29.2%	27.6%	27.6%	17.9%	29.1%	29.1%

(1) EBITDA for any period consists of operating profit before fair value gains or losses on the investment properties and certain other special gains or expenses plus depreciation and amortization expenses. 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.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

Selected Consolidated Balance Sheet Data

	As of December 31,				As of June 30,	
	2007	2008	2009	2009	2010	2010
	Restated(1) (RMB) Audited	Restated(1) (RMB) Audited	(RMB) Audited	(US$) Unaudited	(RMB) Unaudited	(US$) Unaudited
	(in thousands)					
Non-current Assets						
Property and equipment	4,990,516	5,403,356	5,891,602	868,776	5,978,608	881,606
Investment properties	5,852,000	6,050,000	6,372,600	939,704	9,269,700	1,366,910
Land use rights	6,581,082	6,179,952	3,060,382	451,284	2,890,296	426,203
Intangible assets	415,995	424,394	2,348,261	346,275	2,339,061	344,918
Associated companies	295,142	255,785	4,899	722	520,880	76,809
Available-for-sale financial assets	—	—	692,399	102,101	326,896	48,204
Jointly controlled entities	2,662	1,721,197	2,338,244	344,797	2,557,400	377,114
Deferred income tax assets	441,570	437,847	750,080	110,607	892,769	131,648
Other non-current assets	3,149,502	4,309,904	10,182,146	1,501,459	11,987,794	1,767,720
	21,728,469	24,782,435	31,640,613	4,665,725	36,763,404	5,421,132
Current Assets						
Properties under development	9,492,366	11,619,312	18,899,789	2,786,963	22,120,035	3,261,820
Completed properties held for sale	1,846,936	6,211,370	5,198,628	766,590	4,239,431	625,147
Trade and other receivables and prepayments	1,124,079	1,633,727	2,998,042	442,091	4,495,706	662,936
Prepaid income taxes	35,082	148,174	310,472	45,782	577,812	85,204
Amounts due from related companies	31,477	84,915	698	103	533	79
Amount due from a minority interest	6,262	—	—	—	—	—
Restricted cash	409,553	186,961	560,383	82,634	672,373	99,148
Cash and cash equivalents	4,596,378	1,814,447	6,918,958	1,020,270	8,657,471	1,276,631
	17,542,133	21,698,906	34,886,970	5,144,433	40,763,361	6,010,965
Current Liabilities						
Trade and other payables	3,850,927	6,747,126	7,038,928	1,037,960	6,898,014	1,017,181
Advanced proceeds received from customers	499,980	1,534,690	6,502,855	958,911	7,278,254	1,073,251
Income tax payable	2,831,555	2,958,002	4,944,610	729,132	4,924,409	726,153
Borrowings	1,252,451	3,538,906	3,932,306	579,858	4,580,050	675,374
Amounts due to related parties	—	—	31,101	4,586	32,664	4,817
Amount due to a minority interest	—	—	7,696	1,135	7,696	1,135
Deferred income	—	165,000	133,465	19,681	115,367	17,012
	8,434,913	14,943,724	22,590,961	3,331,263	23,836,454	3,514,923
Net Current Assets	9,107,220	6,755,182	12,296,009	1,813,170	16,926,907	2,496,042
Total Assets less Current Liabilities	30,835,689	31,537,617	43,936,622	6,478,895	53,690,311	7,917,174
Non-current Liabilities						
Borrowings	10,384,037	10,895,097	16,594,590	2,447,038	24,613,758	3,629,545
Deferred income tax liabilities	1,639,444	1,605,101	1,824,947	269,107	1,950,975	287,691
	12,023,481	12,500,198	18,419,537	2,716,145	26,564,733	3,917,236
Capital and Reserves						
Share capital	340,382	336,015	361,938	53,372	362,111	53,397
Reserves	18,107,802	18,359,804	22,985,936	3,389,506	24,214,637	3,570,690
	18,448,184	18,695,819	23,347,874	3,442,878	24,576,748	3,624,087
Minority interests in equity	364,024	341,600	2,169,211	319,872	2,548,830	375,851
	18,812,208	19,037,419	25,517,085	3,762,750	27,125,578	3,999,938

(1) During 2009, we changed the accounting policy for land use rights relating to properties developed for sale. Subsequent to the change in accounting policy in 2009, land use rights relating to properties developed for sale are regarded as part of the inventories and are no longer amortized. They are included in properties under development or completed properties held for sale depending on the development status.

The change in accounting policy has no material impact on our profit in 2009 or in the years before 2009. Accordingly, no retrospective adjustment has been made to our consolidated income statements for the years before 2009. The only retrospective adjustments made were to include the land use rights relating to properties developed for sale in the respective balances of properties under development and completed properties held for sale and reclassifications were made to our consolidated balance sheets as of December 31, 2007 and 2008.

(2) On November 29, 2010, HKICPA issued HK Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK Interpretation 5"). The interpretation provides further clarification as to whether a term loan that contains a repayment on demand clause shall be classified as current or non-current liability in the financial statements and shall take immediate effect. HK Interpretation 5 requires that a liability be classified as a current liability if the entity does not have the unconditional right at the reporting date to defer settlement for at least 12 months after the reporting period.

The adoption of HK Interpretation 5 did not have any impact on the audited consolidated financial statements as at and for the years ended December 31, 2007 and 2008 because the Group did not have such term loans as at December 31, 2007 and 2008. The Group's audited consolidated financial statements as at, and for the year ended, December 31, 2009 and unaudited condensed consolidated interim financial statements as at, and for the six months ended June 30, 2010 did not take into account the impact of the above-mentioned interpretation. If HK Interpretation 5 was applied retrospectively to the audited consolidated financial statements as at, and for the year ended December 31, 2009 and unaudited condensed consolidated interim financial statements as at, and for the six months ended June 30, 2010, the impact on the relevant financial statement line items of the Group would be as follows:

Group

	December 31, 2009		
	As reported in the financial information	**Impact of HK Interpretation 5 for reclassification of term loans**	**Restated**
	RMB'000	**RMB'000**	**RMB'000**
Borrowings included in non-current liabilities	16,594,590	(1,691,088)	14,903,502
Non-current liabilities	18,419,537	(1,691,088)	16,728,449
Borrowings included in current liabilities	3,932,306	1,691,088	5,623,394
Current liabilities	22,590,961	1,691,088	24,282,049

Group

	June 30, 2010		
	As reported in the financial information	**Impact of HK Interpretation 5 for reclassification of term loans**	**Restated**
	RMB'000	**RMB'000**	**RMB'000**
Borrowings included in non-current liabilities	24,613,758	(1,675,531)	22,938,227
Non-current liabilities	26,564,733	(1,675,531)	24,889,202
Borrowings included in current liabilities	4,580,050	1,675,531	6,255,581
Current liabilities	23,836,454	1,675,531	25,511,985

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

Overview

We are a large-scale developer and owner of high quality real estate projects in China. We specialize in developing mid to high-end residential, retail and office properties for sale and also attractive and well-located hotel, retail and office properties for long term investment holding purposes. We have a track record of successfully bringing real estate projects in Shanghai, Beijing, Hangzhou, Suzhou, Nanjing, Fuzhou and other fast growing cities in China to market. We believe that this track record, together with the strong recognition of our "Shimao" brand name, positions us well as we continue to create and market our real estate projects in cities throughout China. We aim to continue to grow as a leading property developer and investor with a national presence in China's key cities and economic regions by continuing to enhance our "Shimao" brand name, create innovative products and develop market-leading properties, pursue property diversification and increase our proportion of investment properties and hotels to achieve a balanced revenue profile and expand our business operations and land bank in a disciplined manner.

Our business portfolio comprises high quality residential, retail and office properties developed for sale and also high-end hotel, retail and office properties held for long term investment purpose, which include, among others, Le Royal Méridien and its retail podium, Hyatt on the Bund Shanghai, Le Méridien Sheshan, as well as Beijing Shimao Tower in Beijing. Accordingly, our revenue for a particular period is dependent on:

- the number of completed properties we sell and the prices at which we make such sales;
- the occupancy rate and the average daily rates of our hotel rooms; and
- the rental income from our retail and office properties.

For the three years ended December 31, 2007, 2008 and 2009 and the six month period ended June 30, 2010, our revenue was RMB9,275.9 million, RMB7,196.3 million, RMB17,032.1 million (US$2,511.5 million) and RMB10,024.5 million (US$1,478.2 million), respectively, while our profit for the year/period attributable to equity holders was RMB4,091.8 million, RMB841.2 million, RMB3,511.2 million (US$517.8 million) and RMB2,109.8 million (US$311.1 million), respectively.

Factors Affecting Our Results of Operations

Our business, financial condition and results of operations are affected by a number of factors, many of which are beyond of our control. See "Risk Factors." Such factors include the following:

Economic growth of the PRC and the property market in the PRC

We believe that demand for our properties is driven in large part by the overall economic development, rising wages and the standard of living in the PRC as well as Hong Kong and Macau where some of the purchasers of our properties reside. In the last 10 years, China's GDP has increased at a CAGR of approximately 14.1%. The recent global economic slowdown and turmoil in the global financial markets, however, have had a negative impact on the PRC economy, which in turn affected the PRC property market and our financial performance. The PRC property market has shown signs of recovery in the second, third and fourth quarters of 2009 in large part due to stimulus measures adopted by the PRC government. Changes in market conditions historically have had a significant impact on our results of operations and we believe our financial performance will continue to be affected by such market volatility in the future.

Regulatory environment

PRC government policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation.

Prior to the second half of 2008, the PRC government took various measures to control money supply, credit availability and fixed assets investment with a view to preventing China's economy from overheating and to achieve more balanced and sustainable economic growth. Since the second half of 2008, as a result of the economic downturn, the PRC government adopted measures to encourage consumption in the residential property market and provided support to property developers. However, starting in the fourth quarter of 2009, the PRC government has adjusted some policies to curtail the overheating of the real estate market. These policies include abolishing certain preferential treatment in respect of business tax payable upon transfer of residential properties, increasing the down payment for mortgage loans and imposing more stringent requirements on the payment of land premiums. PRC regulatory measures in the property industry will continue to impact our business and results of operations. See "— Ability to acquire land use rights" and "— PRC regulations on financing" below and "Risk Factors — Risks Relating to Our Industry — The PRC government may adopt further measures to cool down the overheating of the property sector."

Ability to acquire land use rights

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect our ability and costs of acquiring land use rights. Most of the land used in our projects or property developments during 2007, 2008, 2009 and the six month period ended June 30, 2010, whether completed, under development or held for future development, was acquired after the promulgation in 2002 of the PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-Sale by the Ministry of Land and Resources (the "New Land Acquisition Rules").

The New Land Acquisition Rules require that land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may only be granted by the government through competitive processes, including public or private tender, auction or listing-for-sale (each a "Bidding Process"). See "Business — Bidding/Tendering for Land" for a description of the land acquisition procedures. As a result of these new regulations, when we acquire land through a Bidding Process, our cost of land use rights will comprise primarily the purchase price, payable in one lump sum payment or in installments to the government or other transferors as determined by the Bidding Process. Pursuant to the New Land Acquisition Rules, the relevant government authority is responsible for establishing a floor price for the Bidding Process on the basis of land value appraisals and government industrial policies. When we acquire land use rights from non-government grantees in secondary markets transactions, the purchase price is determined by direct negotiation with such grantees.

As a result of these regulations and increased competition, our costs of acquiring new land use rights have increased and are expected to continue to increase. See "Business — Bidding/Tendering for Land."

Price volatility of construction materials

Our results of operations are affected by price volatility of construction materials such as steel and cement. While many of the construction materials we use for our property development are procured by our construction contractors, the contractor fees are generally adjustable on a quarterly basis in light of fluctuations in market prices for construction materials. We are exposed to price volatility of construction materials to the extent that we are not able to pass the increased costs on to our customers by increasing our selling prices. See "Risk Factors — Risks Relating to Our Business — Our profit margin is sensitive to increases in the cost of construction materials." Further, 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 pre-sale.

PRC regulations on financing

PRC interest rate policies and regulations on financing may affect our ability to finance our property development, as well as the cost of doing so. In addition, PRC interest rate policies and regulations related to mortgage financing by purchasers may affect the demand for our products.

We finance our property development primarily through internal funds, borrowings, proceeds from sales and pre-sales of properties and other funds raised from the capital markets from time to time. As of December 31, 2007, 2008 and 2009 and June 30, 2010, our outstanding borrowings were RMB11,636.5 million, RMB14,434.0 million, RMB20,526.9 million (US$3,026.9 million) and RMB29,193.9 million (US$4,304.9 million), respectively. In addition, on August 3, 2010, we issued the 2010 Notes in an aggregate principal amount of US$500.0 million. On August 31, 2010, we drew down HK$827.0 million on our revolving facility and HK$408.0 million on our term loan facility with HSBC and on February 25, 2011, we drew down HK$150.0 million on our other term loan facility with HSBC. See "Description of Other Material Indebtedness — 2010 HSBC (Hong Kong) Facilities I and — 2010 HSBC (Hong Kong) Facility II." Any increase of benchmark lending rates published by the PBOC may result in an increase in our interest costs, as most of our bank borrowings bear floating interest rates linked to the PBOC-published benchmark rates. We are also highly susceptible to any regulations or measures adopted by the PRC government that may restrict bank lending to business enterprises, particularly, to property developers. See "Risk Factors — Risks Relating to Our Business — We may not be able to obtain adequate funding to finance our land acquisitions or property developments."

Moreover, a substantial portion of our customers depends on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers to obtain mortgages or increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our sales revenue. See "Risk Factors — Risks Relating to Our Business — The terms on which mortgages are available, if at all, may affect our sales."

Changes in product mix and geographical focus

The prices and gross profit margins of our products vary by the types of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our higher gross margin products compared to sales revenue attributable to lower gross margin products. Historically, our low-density units, higher-end apartment units and retail shops have commanded higher average selling prices per sq.m. and gross margins than our mid-range apartment units. In addition, properties located at different cities or regions could command different selling prices and thus result in different gross margins. Our properties located at first-tier cities typically command higher average selling prices per sq.m. and gross margins than our properties located at second-or third-tier cities. As we continue to penetrate into second- and third-tier cities to explore growth potential in such cities, our gross margins in the near- to mid-term may decrease. 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.

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, significant time is required for 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 delivered to the purchaser. 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.

Joint venture arrangements

Historically, we have developed our property projects principally through our wholly owned subsidiaries. However, in recent years, we began to develop a number of projects through joint venture arrangements with independent third parties, including other property developers. As of the date of this document, we have established, among others, joint ventures with COLI to develop the Hangzhou Shimao

Jiangbin phase I and Hangzhou Shimao Jiangbin phase II Project and a joint venture with Sino-SingaporeTianjin Eco-City Investment and Development Co., Ltd. to develop Tianjin Shimao Ecology City. We also have joint venture arrangements with Longfor to jointly develop Dalian Lvshunkou Shimao Project phase II. In 2010, we have established joint ventures with R&F in developing the Huizhou Fumao Project, and also with several property developers, including R&F, KWG and Agile, to develop a piece of land in Tianjin. We have also entered into certain equity transfer agreements with three other property developers, including Agile, Country Garden and R&F, and Citic South, a state-owned enterprise, to develop the Asian Games City Project. We believe the support and contribution of such strategic partners have not only provided us with access to additional capital resources for the development of our projects but also enabled us to pursue business opportunities that may not otherwise be available to us at attractive valuations or at all. As such, we may set up additional joint ventures with other independent third parties to pursue business opportunities we believe are attractive but are not otherwise available to us. These types of joint venture arrangements have had and are likely to continue to have an impact on our business, financial condition and results of operations.

Although we have not yet done so, going forward, we may acquire and develop land through joint ventures in which we contribute the right to acquire land, as well as our development expertise and the joint venture partner contributes funding for the land acquisition and development.

Our joint venture arrangements may result in cash outflows and expose us to the potential credit risk of the joint venture partners. We may also suffer reputational damage or financial loss and be involved in operational disputes as a result of the actions of our joint venture partners. See "Risk Factors — Risks Relating to Our Business — Disputes with joint venture partners may adversely affect our business."

Change in Fair Value of our Investment Properties

Under HKFRS, we are required to reassess the fair value of our investment properties (including completed investment properties and investment properties under development) as of the date of the consolidated statement of financial position, and gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statement of comprehensive income in the period in which they arise. As of December 31, 2007, 2008 and 2009 and June 30, 2010, the fair value of our investment properties was RMB5,852.0 million, RMB6,050.0 million, RMB6,372.6 million (US$939.7 million) and RMB9,269.7 million (US$1,366.9 million), respectively. In 2007, 2008, 2009 and the six month period ended June 30, 2010, we experienced a fair value gain on investment properties of RMB1,155.3 million, a fair value loss of RMB122.7 million, a fair value gain of RMB213.8 million (US$31.5 million) and a fair value gain of RMB1,008.4 million (US$148.7 million), respectively. The fair value of each of our investment properties is likely to continue to fluctuate from time to time in the future, and volatility of our results of operations may increase as a result of fair value gains or losses. Any decrease in the fair value of our investment properties would adversely affect our profitability. In addition, fair value gains or losses do not give rise to any change to our cash position unless the relevant investment property is sold. Therefore, we may experience constraints on our liquidity even though our profitability increases.

Critical Accounting Policies

The preparation of financial statements in conformity with HKFRS requires us to adopt accounting policies and make estimates and assumptions that affect amounts reported in our financial statements. In applying these accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the real estate industry, while others are specific to our businesses and operations. The following sections discuss the accounting policies applied in preparing our financial statements that we believe are most dependent on the application of these judgments and estimates and certain other significant accounting policies.

Recognition of revenue from sale of properties

For the year ended December 31, 2009, 95.0% of our revenue was generated from the sale of properties while the remaining 5.0% of our revenue was generated from our hotel operations and from the lease of our commercial properties. For the six month period ended June 30, 2010, 93.9% of our revenue was generated from the sale of properties while the remaining 6.1% of our revenue was generated from our hotel operations, the lease of our commercial properties and other operations. We recognize turnover from sales of properties based on the completion method, that is, revenue is recognized when the risks and rewards of the properties are transferred to the purchasers, which is when construction of the relevant properties has been completed, the relevant properties have been delivered to the purchasers pursuant to the sale agreements and the collectability of related receivables is reasonably assured. Consistent with industry practice, we typically enter into sales agreements with customers while the properties are still under development, after satisfying the conditions for pre-sales according to PRC laws and regulations.

Generally there is a time difference, typically ranging from approximately several months to two years, between the time we commence pre-selling of our properties under development and the completion of the development. We do not recognize any revenue from the pre-sales of our properties until the development of such properties is completed and the properties are delivered to the purchasers, even though we receive payments at various stages prior to delivery.

Before the delivery of a pre-sold property, payments received from our customers are recorded as "advanced proceeds received from customers," under current liabilities on our balance sheet and reflected in the cash flow statements as changes in working capital. As our revenue from the sales of properties are recognized upon delivery of properties, the timing of the delivery of properties may not only affect the amount and growth rate of our revenue but also cause the amount of "advanced proceeds received from customers" and therefore changes in working capital to fluctuate from period to period.

Provision for PRC LAT

Under PRC tax laws and regulations, our PRC subsidiaries 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, calculated as the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business tax and all property development expenditures. We estimate and make provisions for the full amount of LAT and recognize this in income tax, net of the related accruals already made upon acquisitions of subsidiaries. See "Regulation — Taxation in China — Land Appreciation Tax" and "Risk Factors — Risks Relating to Our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations."

Properties under Development, Cost of Sales and Completed Properties Held for Sale

We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties has been recognized in such period. Prior to their delivery, properties under development are included in our balance sheet at the lower of cost and net realizable value.

Cost of sales for each property sold primarily includes the construction cost of each property, cost of land use rights, capitalized borrowing costs, professional fees and other related costs. We sometimes need to estimate the costs for the project based on the information available at the time of completion of the relevant sales contracts before finalizing the costs with contractors. If there is any subsequent change to the estimated cost, for example, due to fluctuations in construction costs or changes in development plans, we will increase or decrease cost of properties sold and the unit costs of the relevant properties, and erode or improve the margins realizable during the period in which such change occurs.

In respect of the cost of properties under development, we record the amount on our balance sheet, with reference to the construction progress reports of our construction contractors and the construction supervisory companies. Properties under development which have either been pre-sold or which are intended for sale are classified as current assets, unless they are not expected to be completed in the normal operating cycle.

Completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value.

Net realizable value for our properties under development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realizable value for our completed properties held for sale is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. We are required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favorable than those projected by our management, additional adjustments to the value of properties under development and completed properties held for sale may be required.

Acquisition accounting

We account for acquisitions of subsidiaries, jointly controlled entities or associated companies using acquisition accounting (except for those transactions which meet the requirements for merger accounting).

Under acquisition accounting, the identified assets, liabilities and contingent liabilities in an entity are recorded at their fair value at the acquisition date. The excess of the fair value of cost of acquisition over the fair value of the identified net assets is treated as goodwill and is recognized as an intangible asset. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. We treat the excess of the fair value of our share of the identified net assets acquired over the fair value of cost of acquisition as negative goodwill. We recognize negative goodwill directly in the income statement upon acquisition.

During the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we gradually increased our equity interest in some of our subsidiaries by acquiring the remaining interests from the minority shareholders.

When we acquire subsidiaries that are property development companies, we adjust the carrying value of the underlying properties to reflect the fair value of the assets at the time of our acquisition. The fair value adjustments constitute our costs for development and, with respect to our properties for sale, will be reflected as cost of sales when the relevant property is sold.

The following table sets forth, for the periods indicated, the carrying values of the fair value adjustments applicable to the properties under development and completed properties held for sale that we acquired in connection with our acquisitions of subsidiaries and adjustments to reflect cost of sales.

	Fair value as of December 31,				**Fair value as of June 30,**	
	2007	**2008**	**2009**		**2010**	
	(RMB)	**(RMB)**	**(RMB)**	**(US$)**	**(RMB)**	**(US$)**
		(in thousands)			**(in thousands)**	
Properties under development and completed properties held for sale						
Beginning balance (as of January 1)	1,051,444	2,160,543	2,127,602	313,736	1,879,531	277,156
Addition	1,227,742	—	323,326	47,678	—	—
Less: transfer to cost of sales	(118,643)	(32,941)	(571,397)	(84,258)	(120,162)	(17,719)
Net balance	2,160,543	2,127,602	1,879,531	277,156	1,759,369	259,437

When we acquire subsidiaries, we also assess the fair value of the liabilities and contingent liabilities (if any) assumed at the date of acquisition. Therefore, when we record the underlying identifiable net assets at fair value, we recognize the deferred income tax liabilities for the property development projects along with the respective LAT liabilities for properties that are developed for sale. The deferred income tax liabilities recognized upon acquisition will be reversed in the income statements upon the sale of the properties. Any LAT liabilities arising from the acquisition will be reassessed upon the sales of these properties, and any excess or shortfall will be adjusted to cost of sales in the income statement.

Investment properties

We treat property held for rental income and for capital appreciation as investment properties. We record the investment properties at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific assets. Where active market prices are not available, we use alternative valuation methods, such as recent prices at less active markets or discounted cash flow projections based on estimated future cash flows, to assess fair value. These valuations are reviewed annually by external valuers and any changes in fair value are recognized in the income statements.

Income taxes and deferred taxation

We are subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

In addition, we have not recognized any deferred tax liability for cetain unremitted earnings of our PRC subsidiaries. We believe we are able to control the timing as to when the earnings will be distributed to our overseas holding companies and we do not anticipate that such distribution to occur in the foreseeable future.

Impairment of goodwill

We test at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2(i) of our audited financial statements as of and for the years ended December 31, 2007, 2008 and 2009. The impairment losses on goodwill are not reversed. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value of the properties (as applicable, less cost to sales) and value in use calculation of the underlying assets, mainly properties, or the quoted price in an active market for listed equity securities, where applicable. The fair value of properties is determined by an independent valuer. These valuations and calculations require the use of estimates.

Selected Income Statement Items

Revenue

For the year ended December 31, 2009 and the six month period ended June 30, 2010, we generated 95.0% and 93.9%, respectively, of our revenue from the sale of properties and the remaining 5.0% and 6.1%, respectively, from our hotel operations, our lease of commercial properties and other operations. Although we are increasing our business activities in our hotel operations and lease of commercial properties with a view to sustaining an increasing proportion of recurring and stable income, at present and in the short term, we will continue to primarily derive a significant portion of our revenue from the sale of properties. See "— Critical Accounting Policies — Recognition of revenue from sale of properties." Our revenue is presented before deduction of business tax.

The following table sets out a breakdown of the revenue by segment for the three years ended December 31, 2009 and the six month period ended June 30, 2010:

	For the year ended December 31,				For the six months ended June 30,		
	2007	**2008**	**2009**	**2009**	**2009**	**2010**	**2010**
	RMB	**RMB**	**RMB**	**US$**	**RMB**	**RMB**	**US$**
		(in thousands)				**(in thousands)**	
Sale of Properties	8,631,302	6,244,915	16,179,297	2,385,799	4,573,113	9,416,742	1,388,593
Hotel Operating Income	565,979	771,227	641,695	94,624	288,128	449,278	66,251
Rental Income from Investment Properties	78,644	180,135	211,071	31,125	106,443	132,024	19,468
Other[1]	—	—	—	—	—	26,425	3,897
Total	9,275,925	7,196,277	17,032,063	2,511,548	4,967,684	10,024,469	1,478,209

Note:

1. *Others include revenue generated from Department Stores and Cinemas.*

Because we derive substantially all our revenue from the sale of properties, our results of operations for a given period are dependent upon the GFA of properties we have available for sale during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions of the property markets in which we operate change from period to period and are affected significantly by the general economic, political and regulatory developments in the PRC. See "— Factors Affecting Our Results of Operations."

Revenue from the sale of a property is recognized when the relevant property has been delivered to the purchaser. For the three years ended December 31, 2007, 2008, and 2009 and the six months ended June 30, 2010, we recognized revenue of RMB8,631.3 million, RMB6,244.9 million, RMB16,179.3 million (US$2,385.8 million) and RMB9,416.7 million (US$1,388.6 million), respectively, from sale of properties.

The following table sets out a breakdown of the GFA delivered and the average realized selling price per sq.m. (calculated by dividing the revenue from the property developments by the GFA sold) for the three years ended December 31, 2009 and the six month periods ended June 30, 2009 and 2010:

	For the year ended December 31,						**For the six months ended June 30,**			
	2007		**2008**		**2009**		**2009**		**2010**	
	GFA	**Average Realized Selling Price**	**GFA**	**Average Realized Selling Price**	**GFA**	**Average Realized Selling Price**	**GFA**	**Average Realized Selling Price**	**GFA**	**Average Realized Selling Price**
	(sq.m.)	**(RMB)**	**(sq.m.)**	**(RMB)**	**(sq.m.)**	**(RMB)**	**(sq.m.)**	**(RMB)**	**(sq.m.)**	**(RMB)**
Beijing Shimao Olive Garden	153,219	19,906	20,879	27,396	668	17,964	621	11,272	240	8,333
Wuhan Shimao Splendid River	149,450	9,374	34,089	9,299	138,049	7,664	102,406	7,128	3,996	9,009
Shaoxing Shimao Dear Town	132,310	8,170	5,045	10,109	40,201	8,408	10,208	6,759	88,041	8,155
Harbin Shimao Riviera New City	125,417	4,234	126,278	4,411	236,554	4,413	124,010	3,443	13,380	6,054
Changshu Shimao The Center	97,338	7,818	119,209	7,164	141,721	5,962	44,470	6,454	95,417	7,745
Kunshan Shimao Butterfly Bay	88,372	7,208	77,060	7,890	99,127	6,075	41,490	4,724	141,790	7,039
Shanghai Shimao Sheshan Villas	20,963	34,871	24,714	47,180	11,104	41,050	6,366	35,815	18	N/A[(1)]
Shanghai Shimao Riviera Garden	13,761	31,902	439	107,062	65,288	40,380	443	9,029	4,358	74,117
Kunshan Shimao East No. 1 New City	—	—	61,556	5,231	194,967	5,189	38,501	5,662	174	11,494
Hangzhou Shimao Riviera Garden	—	—	61,793	7,978	156,230	8,392	74,763	7,343	53,796	9,332
Shanghai Shimao Emme County	—	—	5,092	8,248	67,030	8,802	32,549	8,111	6,396	11,726
Wuhu Shimao Riviera Garden	—	—	86,849	7,507	71,103	7,447	46,083	7,747	14,147	7,281
Fuzhou Shimao Skyscrapers	—	—	6,477	20,997	112,113	15,308	22,608	14,862	103,150	13,718
Shenyang Shimao Wulihe	—	—	1,681	40,452	20,539	9,447	8,625	4,406	138,207	8,104
Suzhou Shimao Canal Scene	—	—	57,556	6,237	104,878	7,249	26,758	6,465	126,327	8,913
Jiaxing Shimao New City	—	—	—	—	58,154	3,938	31,185	3,527	1,656	5,435
Changzhou Shimao Champagne Lakeside Garden	—	—	—	—	163,279	7,545	74,720	6,799	87,938	6,414
Nanjing Shimao Bund New City	105,806	10,774	6,999	13,002	25,547	10,718	2,632	12,918	74,266	16,077
Fuzhou Shimao Bund Garden	6,142	20,840	1,516	15,172	4,459	10,107	4,158	9,139	—	—
Yantai Shimao No. 1 The Harbour	—	—	—	—	47,411	11,537	—	—	10,730	12,116
Xuzhou Shimao Dongdu	—	—	—	—	99,656	5,148	—	—	8,288	6,274
Taizhou Shimao Riverside Garden	—	—	—	—	51,611	3,895	—	—	29,619	4,220
Ningbo Shimao World Gulf	—	—	—	—	5,856	14,173	—	—	5,535	12,466

1. *The Company recognized revenue of RMB29 million for the six months ended June 30, 2010 from sales of Shanghai Shimao Sheshan Villas. Such revenue included the revenue from the resale of a villa returned in the first half of 2010. As such, the average realized selling price derived by dividing recognized revenue by the GFA sold would not be meaningful.*

Cost of sales

Our cost of sales consists primarily of construction and resettlement costs, capitalized borrowing cost, cost of land use rights, business taxes and direct operating costs for hotels and commercial properties.

The following table sets out a breakdown of our cost of sales for the three years ended December 31, 2009 and the six month period ended June 30, 2010:

	For the year ended December 31,				For the six months ended		
	2007	2008	2009	2009	2009	2010	2010
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(RMB)	(US$)
	(in thousands)				(in thousands)		
Costs relating to sale of properties (land costs, construction costs (including all direct development costs), capitalized interest, business taxes and other levies on sales of properties)	4,974,715	3,536,581	10,770,994	1,588,291	3,354,920	6,477,296	955,142
Direct expenses for hotel operations (including depreciation and business taxes)	338,590	423,009	365,293	53,866	174,426	206,181	30,404
Direct operating costs for investment properties (including business taxes)	2,470	4,652	13,108	1,933	9,641	18,428	2,717
Total	5,315,775	3,964,242	11,149,395	1,644,090	3,538,987	6,701,905	988,263

Gross profit

Gross profit represents turnover less cost of sales. Our gross margin, therefore, depends upon a combination of factors, including the volume and price at which we sell properties, the cost of land use rights, resettlement costs, construction costs and capitalized borrowing costs.

Fair value gains/(losses) on investment properties

Fair value gains on an investment property represents the excess of the current estimated value over the carrying value of the investment property. Upward or downward fair value adjustments are unrealized capital gains or losses on an investment property as of the relevant balance sheet date. The amount of fair value gain or loss attributable to an investment property depends on the prevailing property market and such gains or losses are non-cash gains or losses which do not generate any cash inflow or outflow as long as we hold the relevant investment property.

Other gains

Our other gains consist primarily of government grants, negative goodwill, net exchange gain, and gain on disposal of property, plant and equipment.

Selling and marketing costs

Our selling expenses consist primarily of commissions for brokers and bonuses for sales staff, showroom costs, model costs, and promotion costs.

Administrative expenses

Our administrative expenses consist primarily of salary and welfare costs for our staff, rental of our offices and staff residences, printing and stationery, traveling and entertainment costs, banking charges (other than transaction costs), property taxes, consulting fees, auditors' remuneration and legal and professional fees.

Finance costs

Our finance costs consist primarily of interest costs net of capitalized interest. We capitalize a portion of our costs of borrowings to property under development, investment properties and property and equipment to the extent that such costs are directly attributable to construction. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on our borrowings. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the interest 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.

Income tax expenses

Income tax expenses consist of PRC enterprise income tax accrued by our operating subsidiaries, PRC withholding income tax and LAT. Because we operate as an overseas company for Cayman Islands regulatory purposes, we are not subject to Cayman Islands income tax.

PRC enterprise income tax and PRC withholding income tax

Most of our PRC subsidiaries were subject to PRC enterpise income tax of 33% prior to January 1, 2008 (consisting of 30% income tax for foreign-invested enterprises and 3% local income tax). Effective from January 1, 2008, this has been reduced to 25% pursuant to the 2008 Tax Law which adopts a uniform income tax rate of 25% on the taxable income of both domestic enterprises and foreign-invested enterprises. Under the new EIT Law, the preferential corporate income tax rate applicable to certain of our group companies established and operated before the promulgation of the new Enterprise Income Tax Law will be gradually increased to 25% in a five-year transition period starting from January 1, 2008.

Since January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies are 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. We have established a number of subsidiaries in Hong Kong, to which our principal BVI subsidiaries transferred their interests in our PRC subsidiaries. Pursuant to a double tax treaty 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 withholding tax rate may be lowered to 5%.

Gains on disposal of an investment in the PRC by overseas holding companies may be subject to withholding tax of 10%.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Our entities in the BVI were incorporated under the BVI Business Companies Act and do not pay income tax in the BVI.

Hong Kong profits tax

We have not made any provision for Hong Kong profits tax as we had no assessable profit in Hong Kong during the three years ended December 31, 2009 and the six month period ended June 30, 2010.

LAT

Under PRC laws and regulations, our PRC subsidiaries engaged in property development business are subject to LAT determined by the local tax authorities in the cities in which each project is located. 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 as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government, taking into consideration the property's plot ratio, aggregate GFA and sales price. Sales of low-density units and retail shops generally realize higher appreciation values, and are subject to higher LAT rates, compared to less expensive properties. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by the local tax authorities. We cannot assure you that our LAT provisions are sufficient to cover our LAT obligations or that the tax authorities will agree with the basis on which we calculate our LAT obligations. See "Risk Factors — Risks Relating to Our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations" and "— Critical Accounting Policies — Provision for PRC LAT" below.

For the years ended December 31, 2007, 2008 and 2009 and the six month period ended June 30, 2010, LAT charged to our income tax expenses was RMB754.3 million, RMB520.5 million, RMB554.5 million (US$81.8 million) and RMB333.6 million (US$49.2 million), respectively. For the same three years and six month period, we made payments for provisional LAT in the amount of RMB74.5 million, RMB159.6 million, RMB322.1 million (US$47.5 million) and RMB440.7 million (US$65.0 million), respectively. Our LAT provision balance as of December 31, 2007, 2008 and 2009 and as of June 30, 2010 totaled RMB2,061.6 million, RMB2,451.5 million, RMB3,191.8 million (US$470.7 million) and RMB3,233.1 million (US$476.8 million), respectively.

Minority interests

Minority interests represent our profit or loss after taxation that is attributable to minority shareholders of our non-wholly owned subsidiaries.

Results of Operations

The following tables set forth selected data from our consolidated income statements for the years ended December 31, 2007, 2008 and 2009 and the six month periods ended June 30, 2009 and 2010:

	For the year ended December 31,				For the six months ended June 30,		
	2007	2008	2009	2009	2009	2010	2010
	(RMB) Audited	(RMB) Audited	(RMB) Audited	(US$) Unaudited	(RMB) Unaudited	(RMB) Unaudited	(US$) Unaudited
				(in thousands)			
Revenue	9,275,925	7,196,277	17,032,063	2,511,548	4,967,684	10,024,469	1,478,208
Cost of sales	(5,315,775)	(3,964,242)	(11,149,395)	(1,644,090)	(3,538,987)	(6,701,905)	(988,263)
Gross profit	3,960,150	3,232,035	5,882,668	867,458	1,428,697	3,322,564	489,945
Gain on deemed disposal to minority interests	—	—	1,501,093	221,351	1,395,849	—	—
Fair value gains/(losses) on investment properties	1,155,253	(122,749)	213,834	31,532	54,544	1,008,429	148,703
Other gains	1,614,054	442,118	158,609	23,388	73,295	194,460	28,675
Selling and marketing costs	(192,433)	(281,756)	(470,427)	(69,369)	(156,757)	(208,725)	(30,778)
Administrative expenses	(757,384)	(1,065,837)	(1,107,286)	(163,280)	(568,928)	(457,461)	(67,457)
Other operating expenses	(117,412)	(75,053)	(179,961)	(26,537)	(9,246)	(52,265)	(7,707)
Operating profit	5,662,228	2,128,758	5,998,530	884,543	2,217,454	3,807,002	561,381
Finance income	102,543	28,005	30,466	4,493	9,837	27,353	4,033
Finance costs	(269,774)	(377,635)	(337,653)	(49,790)	(195,250)	(245,136)	(36,148)
Finance costs — net	(167,231)	(349,630)	(307,187)	(45,297)	(185,413)	(217,783)	(32,115)
Share of results of:							
Associated companies	112,870	(3,132)	19,925	2,938	19,926	—	—
Jointly controlled entitles	175	9,498	(1,072)	(158)	641	7,796	1,150
	113,045	6,366	18,853	2,780	20,567	7,796	1,150
Profit before income tax	5,608,042	1,785,494	5,710,196	842,026	2,052,608	3,597,015	530,416
Income tax expense	(1,434,257)	(925,226)	(2,107,212)	(310,729)	(798,711)	(1,201,503)	(177,174)
Profit for the year/period	4,173,785	860,268	3,602,984	531,297	1,253,897	2,395,512	353,242
Attributable to:							
Equity holders of the Company	4,091,782	841,159	3,511,201	517,762	1,198,724	2,109,760	311,105
Minority interests	82,003	19,109	91,783	13,535	55,173	285,752	42,137
	4,173,785	860,268	3,602,984	531,297	1,253,897	2,395,512	353,242
Dividends	974,917	404,742	1,029,016	151,739	4,967,684	10,024,469	1,478,208

The following discussion is based on the consolidated financial statements of our Company and its subsidiaries.

Six month period ended June 30, 2010 compared with six month period ended June 30, 2009

Revenue. Revenue increased by 101.8% to RMB10,024.5 million (US$1,478.2 million) for the six month period ended June 30, 2010 from RMB4,967.7 million for the corresponding period in 2009, primarily due to the increased revenue from sale of properties.

- *Sale of properties.* Sales revenue generated from our property development increased by 105.9% to RMB9,416.7 million (US$1,388.6 million) for the six month period ended June 30, 2010 from RMB4,573.1 million for the corresponding period in 2009, primarily due to a 39.4% increase in the average recognized selling price per sq. m. of our properties sold and a 43.3% increase in total GFA sold to 1,007,469 sq.m. for the six month period ended June 30, 2010 from 702,973 sq.m. for the corresponding period in 2009.

The increase in GFA sold was primarily due to the increased sales of properties as the PRC property market continued to recover in the first half of 2010 from the global economic crisis that began in the second half of 2008. In the first half of 2010, we recognized revenue from sales of 23 projects, as compared to 19 projects for the corresponding period in 2009. The average recognized selling price (including sales of associated companies) increased by 39.4% to RMB9,344 per sq. m. in the first half of 2010 from RMB6,704 in the first half of 2009. Despite our sale of proportionally more projects in the second-tier cities in the first half of 2010, which typically command a lower selling price, selling prices for properties in the PRC in general have increased since the middle of 2009, resulting in an increase in the average recognized selling price.

The following table sets forth the GFA sold and the sales revenue generated by each project for the six month periods ended June 30, 2009 and 2010, respectively:

	For the six months ended June 30,				
	2009		2010		
	GFA (sq.m.)	RMB (million)	GFA (sq.m.)	RMB (million)	US$ (million)
Projects held by us (100% consolidated)					
Beijing Shimao Olive Garden	621	7	240	2	0.3
Wuhan Shimao Splendid River	102,406	730	3,996	36	5
Shaoxing Shimao Dear Town	10,208	69	88,041	718	106
Harbin Shimao Riviera New City	124,010	427	13,380	81	12
Changshu Shimao The Center	44,470	287	95,417	739	109
Kunshan Shimao Butterfly Bay	41,490	196	141,790	998	147
Shanghai Shimao Sheshan Villas	6,366	228	18	29	4
Shanghai Shimao Riviera Garden	443	4	4,358	323	48
Kunshan Shimao East No. 1 New City	38,501	218	174	2	0.3
Hangzhou Shimao Riviera Garden	74,763	549	53,796	502	74
Shanghai Shimao Emme County	32,549	264	6,396	75	11
Wuhu Shimao Riviera Garden	46,083	357	14,147	103	15
Fuzhou Shimao Skyscrapers	22,608	336	103,150	1,415	209
Shenyang Shimao Wulihe	8,625	38	138,207	1,120	165
Suzhou Shimao Canal Scene	26,758	173	126,327	1,126	166
Jiaxing Shimao New City	31,185	110	1,656	9	1
Changzhou Shimao Champagne Lakeside Garden	74,720	508	87,938	564	83
Nanjing Shimao Bund New City (note 1)	2,632	34	74,266	1,194	176
Fuzhou Shimao Bund Garden (note 1)	4,158	38	—	5	0.7
Yantai Shimao No.1 The Harbour	—	—	10,730	130	19
Xuzhou Shimao Dongdu	—	—	8,288	52	8
Taizhou Shimao Riverside Garden	—	—	29,619	125	18
Ningbo Shimao World Gulf	—	—	5,535	69	10
Sub-total (a)	692,596	4,573	1,007,469	9,417	1,389

	For the six months ended June 30,				
	2009		2010		
	GFA (sq.m.)	RMB (million)	GFA (sq.m.)	RMB (million)	US$ (million)
Projects held by associated companies					
Nanjing Shimao Bund New City [(1)]	20,453	205	—	—	—
Fuzhou Shimao Bund Garden [(1)]	301	4	—	—	—
Sub-total (b)	20,754	209	—	—	—
Sub-total (c) — attributable	10,377	104	—	—	—
Total (a) + (b)	713,350	4,782	1,007,469	9,417	1,389
Total (a) + (c)	702,973	4,677	1,007,469	9,417	1,389

Notes:

1. *For the five months ended 31 May 2009, revenue attributable to the Group generated from associated companies holding Nanjing Shimao Bund New City and Fuzhou Shimao Bund Garden was not consolidated in the consolidated financial statements. After the completion of acquisition of Shanghai Shimao and Shanghai Shimao Enterprises Development Co. Ltd., these associated companies became our subsidiaries and the revenue thereafter was consolidated in our consolidated financial statements.*

- *Hotel income.* Hotel operating income increased by 56.0% to RMB449.3 million (US$66.3 million) for the six month period ended June 30, 2010 from RMB288.1 million for the corresponding period in 2009, primarily due to the tourism boom as a result of the Shanghai World Exposition 2010.

- *Rental income.* Rental income from investment properties increased by 24.0% to RMB132.0 million (US$19.5 million) for the six month period ended June 30, 2010 from RMB106.4 million for the corresponding period in 2009, primarily attributable to the growth in the number of units rented in Beijing Shimao Tower, as well as commencement of lease of Shanghai Shimao Shangdu Tower and commercial part of Suzhou Shimao Canal Scene.

Cost of sales. Cost of sales increased by 89.4% to RMB6,701.9 million (US$988.3 million) for the six month period ended June 30, 2010 from RMB3,539.0 million for the corresponding period in 2009, primarily as a result of increased land costs, construction costs and capitalized borrowing costs as well as increased sales taxes as a result of increased revenue.

Gross profit. Gross profit increased by 132.6% to RMB3,322.6 million (US$490.0 million) for the six month period ended June 30, 2010 from RMB1,428.7 million for the corresponding period in 2009. Our gross profit margin increased to 33.1% for the six month period ended June 30, 2010 from 28.8% for the corresponding period in 2009, primarily due to an increase in the average recognized selling price in the first half of 2010.

Gains on deemed disposal to non-controlling interests. In May 2009, we injected certain of our commercial projects and commercial properties into Shanghai Shimao and acquired a 64.2% equity interest in Shanghai Shimao, which became our commercial property development vehicle. As a result of such acquisition, we recorded gains on deemed disposal to interests of RMB1,395.8 million (US$205.8 million) for the six month period ended June 30, 2009. We did not record any gains on deemed disposal to non-controlling interests in the corresponding period in 2010.

Fair value gains/(losses) on investment properties. We recognized a fair value gain on investment properties of RMB1,008.4 million (US$148.7 million) for the six month period ended June 30, 2010 as compared to a fair value gain of RMB54.5 million for the corresponding period in 2009. The gains for the six month period ended June 30, 2009 were mainly attributable to the fair value gains from Shanghai Shimao International Plaza and Beijing Shimao Tower. The gains for the six month period ended June 30, 2010 were mainly attributable to the fair market value gains from Shanghai Shimao International Plaza and a retail development in Shaoxing held by Shanghai Shimao.

Other gains. Our other gains increased by 165.3% to RMB194.5million (US$28.7 million) for the six month period ended June 30, 2010 from RMB73.3 million for the corresponding period in 2009, primarily due to the increase in government grants received to RMB135.9 million (US$20.0 million) for the six month period ended June 30, 2010 from RMB40.4 million for the corresponding period in 2009. The increase in government grants was mainly due to the government grants we received for our subsidiaries in Mudanjiang, Heilongjiang province from the Mudanjiang government.

Selling and marketing costs. Our selling and marketing expenses increased by 33.1% to RMB208.7 million (US$30.8 million) for the six month period ended June 30, 2010 from RMB156.8 million for the corresponding period in 2009, primarily due to our increased selling activities to promote new projects in the first half of 2010.

Administrative expenses. Our administrative expenses decreased by 19.6% to RMB457.5 million (US$67.5 million) for the six month period ended June 30, 2010 from RMB568.9 million for the corresponding period in 2009, primarily due to the write back of impairment losses on completed properties held for sale, mainly carparks, whose market value has recovered.

Other operating expenses. Our other operating expenses increased by 468.5% to RMB52.3 million (US$7.7 million) for the six month period ended June 30, 2010 from RMB9.2 million for the corresponding period in 2009, primarily attributable to the increase in donations to RMB32.3 million (US$4.8 million) from RMB1.4 million for the corresponding period in 2009.

Operating profit. Our operating profit increased by 71.7% to RMB3,807.0 million (US$561.4 million) for the six month period ended June 30, 2010 from RMB2,217.5 million for the corresponding period in 2009, as a result of the cumulative effect of the foregoing factors.

Finance costs — net. Our finance costs — net increased by 17.5% to RMB217.8 million (US$32.1 million) for the six month period ended June 30, 2010 from RMB185.4 million for the corresponding period in 2009, primarily due to increased interest expenses as a result of increased borrowings in the first half of 2010.

Share of results of associated companies. We had no share of profits of associated companies for the six month period ended June 30, 2010, compared with a share of profits of associated companies in the amount of RMB19.9 million (US$2.9 million) for the corresponding period in 2009. The share of profits of associated companies in 2009 was primarily attributable to the two subsidiaries of Shanghai Shimao, Nanjing Shimao Real Estate Development Co., Ltd. ("Nanjing Shimao") and Fujian Shimao Investment Development Co., Ltd. ("Fujian Shimao"), in each of which we held a 50% equity interest before the completion of our acquisition of Shanghai Shimao in May 2009. After our acquisition of Shanghai Shimao, Nanjing Shimao and Fujing Shimao, the two subsidiaries of Shanghai Shimao, became our subsidiaries. As a result, we did not record any share of results of associated companies in the first half of 2010.

Share of results of jointly controlled entities. We had a share of profits of jointly controlled entities in the amount of RMB7.8 million (US$1.2 million) for the six month period ended June 30, 2010, compared with a share of profit of jointly controlled entities in the amount of RMB0.6 million for the corresponding period in 2009.

Profit before income tax. Profit before income tax increased by 75.2% to RMB3,597.0 million (US$530.4 million) for the six month period ended June 30, 2010 from RMB2,052.6 million for the corresponding period in 2009, primarily attributable to an increase in our operating profits.

Income tax expense. Our income tax expense increased by 50.4% to RMB1,201.5 million (US$177.2 million) for the six month period ended June 30, 2010 from RMB798.7 million for the corresponding period in 2009, primarily due to an increase in our profit before tax. The effective tax rate for the six month period ended June 30, 2010 was 33.4%, compared to 38.9% for the corresponding period in 2009. The higher effective tax rate in the first half of 2009 was mainly due to a one-off withholding income tax provision of RMB434.0 million (US$64.0 million) from our acquisition of Shanghai Shimao.

Profit for the period. Profit for the period increased by 91.0% to RMB2,395.5 million (US$353.2 million) for the six month period ended June 30, 2010 from RMB1,253.9 million for the corresponding period in 2009, primarily due to an increase in profit before income tax, and a decrease in the effective tax rate for the six month period ended June 30, 2010 as compared with the corresponding period in 2009. Profit for the period as a percentage of revenue decreased slightly to 23.9% for the six month period ended June 30, 2010 from 25.2% for the corresponding period in 2009 as a result of the foregoing factors.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company for the six month period ended June 30, 2010 was RMB2,109.8 million (US$311.1 million) compared with RMB1,198.7 million for the corresponding period in 2009, while profit attributable to equity holders of the Company as a percentage of revenue decreased to 21.0% for the six month period ended June 30, 2010 from 24.1% for the corresponding period in 2009.

Profit attributable to minority interests. Profit attributable to minority interests increased by 142.5% to RMB285.8 million (US$42.1 million) for the six month period ended June 30, 2010 from RMB55.2 million for the corresponding period in 2009 as a result of increased profits for the period. In addition, we completed the acquisition of Shanghai Shimao in May 2009, which also contributed to the increase in profit attributable to minority interests.

2009 compared with 2008

Revenue. Revenue increased by 136.7% to RMB17,032.1 million (US$2,511.6 million) in 2009 from RMB7,196.3 million in 2008, primarily due to the increased revenue from sale of properties.

- *Sale of properties.* Sales revenue generated from our property development increased by 159.1% to RMB16,179.3 million (US$2,385.8 million) in 2009 from RMB6,244.9 million in 2008, primarily due to a 176.5% increase in total GFA sold to 1,916,005 sq.m. in 2009 from 692,975 sq.m. in 2008, partially offset by a 7.0% decrease in the average recognized selling price per sq.m. of our properties sold.

The increase in GFA sold was primarily due to the increased sales of properties since early 2009, during which the PRC property market started to recover from the global economic crisis that began in the second half of 2008. In 2009, we recognized revenue from sales of 23 projects, as compared to 15 projects in 2008. The average recognized selling price (including sales of associated companies) was lower in 2009 than that in 2008, as we sold proportionally more projects in the second-tier cities in 2009 as compared to 2008, which, as compared to properties in the first-tier cities, typically command a lower selling price, thereby contributing to a lower average recognized selling price in 2009.

The following table sets forth the GFA sold and the sales revenue generated by each project in 2008 and 2009, respectively:

	2008		2009		
	GFA (sq.m.)	RMB (million)	GFA (sq.m.)	RMB (million)	US$ (million)
Projects held by us (100% consolidated)					
Beijing Shimao Olive Garden	20,879	572	668	12	2
Wuhan Shimao Splendid River [(1)]	34,089	317	138,049	1,058	156
Shaoxing Shimao Dear Town	5,045	51	40,201	338	50
Harbin Shimao Riviera New City	126,278	557	236,554	1,044	154
Changshu Shimao The Center	119,209	854	141,721	845	125
Kunshan Shimao Butterfly Bay	77,060	608	99,127	602	89
Shanghai Shimao Sheshan Villas	24,714	1,166	11,104	456	67
Shanghai Shimao Riviera Garden	439	47	65,288	2,636	389
Kunshan Shimao East No. 1 New City	61,556	322	194,967	1,011	149
Hangzhou Shimao Riviera Garden	61,793	493	156,230	1,311	193
Shanghai Shimao Emme County	5,092	42	67,030	590	87
Wuhu Shimao Riviera Garden	86,849	652	81,940	694	102
Fuzhou Shimao Skyscrapers	6,477	136	112,113	1,713	253
Shenyang Shimao Wulihe	1,681	68	20,539	194	29
Suzhou Shimao Canal Scene	57,556	359	104,878	760	112
Jiaxing Shimao New City	—	—	58,154	229	34
Changzhou Shimao Champagne Lakeside Garden	—	—	163,279	1,232	182
Nanjing Shimao Bund New City [(2)]	—	—	5,094	69	10
Fuzhou Shimao Bund Garden[(2)]	—	—	4,158	41	6
Yantai Shimao No.1 The Harbour	—	—	47,411	547	81
Xuzhou Shimao Dongdu	—	—	99,656	513	76
Taizhou Shimao Riverside Garden	—	—	51,611	201	30
Ningbo Shimao World Gulf	—	—	5,856	83	12
Sub-total (a)	688,717	6,244	1,905,628	16,179	2,386
Projects held by associated companies					
Nanjing Shimao Bund New City[(2)]	6,999	91	20,453	205	30
Fuzhou Shimao Bund Garden [(2)]	1,516	23	301	4	1
Sub-total (b)	8,515	114	20,754	209	31
Sub-total (c) — attributable	4,258	57	10,377	105	15
Total (a) + (b)	697,232	6,358	1,926,382	16,388	2,417
Total (a) + (c)	692,975	6,301	1,916,005	16,284	2,401

Notes:

1. *The attributable interests was 70.01% for the period ended November 30, 2009 and 96.05% for the remaining period of 2009 after acquisition of additional shares in the project company from minority interests. For accounting purposes, we consolidated 100% of the revenue generated by Wuhan Shimao Splendid River.*

2. *For the five months ended May 31, 2009, revenue attributable to the Group generated from associated companies holding Nanjing Shimao Bund New City and Fuzhou Shimao Bund Garden has not been consolidated in the consolidated financial statements. After the completion of acquisition of Shanghai Shimao, these associated companies became our subsidiaries and the revenue for the period from June 1 to December 31, 2009 was consolidated in our consolidated financial statements*

- *Hotel income.* Hotel operating income decreased by 16.8% to RMB641.7 million (US$94.6 million) in 2009 from RMB771.2 million in 2008, primarily due to the lower occupancy rate triggered by global economic crisis that began in the second half of 2008 and the threat of the human H1N1 flu epidemic in 2009.

- *Rental income.* Rental income from investment properties increased by 17.2% to RMB211.1 million (US$31.1 million) in 2009 from RMB180.1 million in 2008, primarily attributable to the growth in the number of units rented in Beijing Shimao Tower, as well as commencement of lease of Changshu Shopping Mall.

Cost of sales. Cost of sales increased by 181.3% to RMB11,149.4 million (US$1,644.1 million) in 2009 from RMB3,964.2 million in 2008, primarily as a result of increased land costs, construction costs and capitalized borrowing costs due to an increase in total GFA sold.

Gross profit. Gross profit increased by 82.0% to RMB5,882.7 million (US$867.5 million) in 2009 from RMB3,232.0 million in 2008. Our gross profit margin decreased to 34.5% in 2009 from 44.9% in 2008, primarily due to a decrease in the average recognized selling price in 2009 as we sold proportionally more properties in second-tier cities at lower prices in 2009.

Gains on deemed disposal to minority interests. In 2009, we injected certain of our commercial projects and commercial properties into Shanghai Shimao and acquired a 64.2% equity interest in Shanghai Shimao, which became our commercial property development vehicle. As a result of such acquisition, we recorded gains on deemed disposal to minority interests of RMB1,501.1 million (US$221.4 million) in 2009. We did not record any gains on deemed disposal to minority interests in 2008.

Fair value gains/(losses) on investment properties. We recognized a fair value gain on investment properties of RMB213.8 million (US$31.5 million) in 2009 as compared to a fair value loss of RMB122.7 million in 2008. Both the gain in 2009 and the loss in 2008 were mainly attributable to the fair value gains or losses from Shanghai Shimao International Plaza and Beijing Shimao Tower.

Other gains. Our other gains decreased by 64.1% to RMB158.6 million (US$23.4 million) in 2009 from RMB442.1 million in 2008, primarily due to the decrease in foreign exchange gain to RMB5.3 million (US$0.8 million) in 2009 from RMB414.6 million in 2008 as a result of a more stable U.S. dollar to RMB exchange rate in 2009, partially offset by the increase in government grants received to RMB136.5 million (US$20.1 million) in 2009 from RMB4.3 million in 2008.

Selling and marketing costs. Our selling and marketing expenses increased by 66.9% to RMB470.4 million (US$69.4 million) in 2009 from RMB281.8 million in 2008, primarily due to our efforts to promote new projects in 2009.

Administrative expenses. Our administrative expenses increased by 3.9% to RMB1,107.3 million (US$163.3 million) in 2009 from RMB1,065.8 million in 2008, primarily due to the deed tax and other levies we incurred in connection with the acquisition of Shanghai Shimao.

Other operating expenses. Our other operating expenses increased by 139.7% to RMB180.0 million (US$26.5 million) in 2009 from RMB75.1 million in 2008, primarily attributable to increase in impairment of intangible assets.

Operating profit. Our operating profit increased by 181.8% to RMB5,998.5 million (US$884.5 million) in 2009 from RMB2,128.8 million in 2008, as a result of the cumulative effect of the foregoing factors.

Finance costs — net. Our finance costs — net decreased by 12.1% to RMB307.2 million (US$45.3 million) in 2009 from RMB349.6 million in 2008. Although our borrowings increased substantially in 2009 from those in 2008, we capitalized more interest costs for properties under development and assets under construction as we developed more properties in 2009 as compared to 2008. As a result, our finance costs — net decreased.

Share of results of associated companies. We had a share of profits of associated companies in the amount of RMB19.9 million (US$2.9 million) in 2009, compared with a share of losses in the amount of RMB3.1 million in 2008. The share of profits of associated companies in 2009 was primarily attributable to the two subsidiaries of Shanghai Shimao, Nanjing Shimao and Fujian Shimao , in each of which we held a 50% equity interest before the completion of our acquisition of Shanghai Shimao in May 2009. After our acquisition of Shanghai Shimao, Nanjing Shimao and Fujing Shimao, the two subsidiaries of Shanghai Shimao, became our subsidiaries.

Share of results of jointly controlled entities. We had a share of loss of jointly controlled entities in the amount of RMB1.1 million (US$0.2 million) in 2009, compared with a share of profit of jointly controlled entities in the amount of RMB9.5 million.

Profit before income tax. Profit before income tax increased by 219.8% to RMB5,710.2 million (US$842.0 million) in 2009 from RMB1,785.5 million in 2008, primarily attributable to an increase in our operating profits.

Income tax expense. Our income tax expense increased by 127.8% to RMB2,107.2 million (US$310.7 million) in 2009 from RMB925.2 million in 2008, primarily due to an increase in our profit before tax. The effective tax rate in 2009 was 36.9%, compared to 51.8% in 2008. The decrease in effective tax rate was primarily due to the decrease in the percentage of LAT to profit before income tax from 29.2% in 2008 to 9.7% in 2009 as a result of decreased gross profit margin.

Profit for the year. Profit for the year increased by 318.8% to RMB3,603.0 million (US$531.3 million) in 2009 from RMB860.3 million in 2008, primarily due to an increase in profit before income tax, and a decrease in the effective tax rate in 2009 as compared with 2008. Profit for the year as a percentage of revenue increased to 21.2% in 2009 from 12.0% in 2008 as a result of the foregoing factors.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company in 2009 was RMB3,511.2 million (US$517.8 million) compared with RMB841.2 million in 2008, while profit attributable to equity holders of the Company as a percentage of revenue increased to 20.6% in 2009 from 11.7% in 2008.

Profit attributable to minority interests. Profit attributable to minority interests increased by 380.6% to RMB91.8 million (US$13.5 million) in 2009 from RMB19.1 million in 2008 as a result of increased profits for the year, and to a lesser extent, our acquisition of additional interest in Shanghai Shimao which resulted in Shanghai Shimao becoming our consolidated subsidiary and the 35.8% interest in Shanghai Shimao not owned by us becoming minority interests.

2008 compared with 2007

Revenue. Revenue decreased by 22.4% to RMB7,196.3 million in 2008 from RMB9,275.9 million in 2007, primarily due to the decreased revenue from sale of properties.

- *Sale of properties*. Sales revenue generated from our property development decreased by 27.7% to RMB6,244.9 million in 2008 from RMB8,631.3 million in 2007, primarily due to (i) a 17.2% decrease in total GFA sold to 692,975 sq.m. in 2008 from 836,804 sq.m. in 2007, and (ii) a 17.9% decrease in the average recognized selling price per sq.m.

  The decrease in GFA sold was primarily due to (i) the delays in revenue recognition of certain projects, which had been originally scheduled for completion in 2008 but delayed until the first half of 2009, and (ii) the relatively suppressed market as a result of the global economic crisis that began in the second half of 2008. The average recognized selling price (including sales of associated companies) was lower in 2008 than that in 2007, as we sold proportionally more projects in the second- and third-tier cities in 2008 as compared to 2007, which typically command a lower selling price, thereby contributing to a lower average recognized selling price in 2008.

The following table sets forth the GFA sold and the sales revenue generated by each project in 2007 and 2008, respectively:

	2007		2008	
	GFA (sq.m.)	RMB (million)	GFA (sq.m.)	RMB (million)
Projects held by us (100% consolidated)				
Beijing Shimao Olive Garden	153,219	3,050	20,879	572
Wuhan Shimao Splendid River[1]	149,450	1,401	34,089	317
Shaoxing Shimao Dear Town	132,310	1,081	5,045	51
Harbin Shimao Riviera New City	125,417	531	126,278	557
Changshu Shimao The Center	97,338	761	119,209	854
Kunshan Shimao Butterfly Bay	88,372	637	77,060	608
Shanghai Shimao Sheshan Villas	20,963	731	24,714	1,166
Shanghai Shimao Riviera Garden	13,761	439	439	47
Kunshan Shimao East No. 1 New City	—	—	61,556	322
Hangzhou Shimao Riviera Garden	—	—	61,793	493
Shanghai Shimao Emme County	—	—	5,092	42
Wuhu Shimao Riviera Garden	—	—	86,849	652
Fuzhou Shimao Skyscrapers	—	—	6,477	136
Shenyang Shimao Wulihe	—	—	1,681	68
Suzhou Shimao Canal Scene	—	—	57,556	359
Sub-total (a)	780,830	8,631	688,717	6,244
Projects held by associated companies				
Nanjing Shimao Bund New City[2]	105,806	1,140	6,999	91
Fuzhou Shimao Bund Garden[2]	6,142	128	1,516	23
Sub-total (b)	111,948	1,268	8,515	114
Sub-total (c) — attributable	55,974	634	4,258	57
Total (a) + (b)	892,778	9,899	697,232	6,358
Total (a) + (c)	836,804	9,265	692,975	6,301

Notes:

1. *Attributable interest is 70.01%. For accounting purposes, we consolidated 100% of the revenue generated by Wuhan Shimao Splendid River.*

2. *Revenue attributable to the Group generated from associated companies holding Nanjing Shimao Bund New City and Fuzhou Shimao Bund Garden has not been consolidated in the audited consolidated financial statements.*

- *Hotel income.* Hotel operating income increased by 36.3% to RMB771.2 million in 2008 from RMB566.0 million in 2007, primarily due to full year contribution of Hyatt on the Bund Shanghai, which was opened in the second half of 2007.

- *Rental income.* Rental income from investment properties increased by 129.1% to RMB180.1 million in 2008 from RMB78.6 million in 2007, primarily attributable to the growth in the number of units rented in Shanghai Shimao International Plaza, as well as commencement of lease of Beijing Shimao Tower.

Cost of sales. Cost of sales decreased by 25.4% to RMB3,964.2 million in 2008 from RMB5,315.8 million in 2007, primarily as a result of decreased land costs, construction costs and capitalized borrowing costs due to a decrease in total GFA sold.

Gross profit. Gross profit decreased by 18.4% to RMB3,232.0 million in 2008 from RMB3,960.2 million in 2007. Our gross profit margin increased slightly to 44.9% in 2008 from 42.7% in 2007.

Fair value gains/(losses) on investment properties. Fair value losses on investment properties amounted to RMB122.7 million in 2008 as compared to fair value gains on investment properties of RMB1,155.3 million in 2007, mainly attributable to the fair value losses from Shanghai Shimao International Plaza and Beijing Shimao Tower.

Other gains. Our other gains decreased by 72.6% to RMB442.1 million in 2008 from RMB1,614.1 million in 2007, primarily due to a one-off gain of RMB751.3 million on disposal of 29.99% interest in the Wuhan Project and a negative goodwill of RMB523.1 million arising mainly from our acquisition in 2007 of 100% interest of Beijing Fortune Times Property Co., Ltd., which holds a parcel of land in Beijing. We did not have such gain or significant amount of negative goodwill in 2008.

Selling and marketing costs. Our selling and marketing expenses increased by 46.5% to RMB281.8 million in 2008 from RMB192.4 million in 2007, primarily due to our efforts to promote new projects in 2008.

Administrative expenses. Our administrative expenses increased by 40.7% to RMB1,065.8 million in 2008 from RMB757.4 million in 2007, primarily due to our increased staff costs as a result of increased number of employees and increased administrative expenses of hotel operation in 2008.

Other operating expenses. Our other operating expenses decreased by 36.0% to RMB75.1 million in 2008 from RMB117.4 million in 2007, primarily attributable to decrease in impairment of intangible assets.

Operating profit. Our operating profit decreased by 62.4% to RMB2,128.8 million in 2008 from RMB5,662.2 million in 2007, as a result of the cumulative effect of the foregoing factors.

Finance costs — net. Our finance costs — net increased by 109.1% to RMB349.6 million in 2008 from RMB167.2 million in 2007, primarily due to more interest expenses incurred for increased borrowings in 2008.

Share of results of associated companies. We had a share of losses of associated companies in the amount of RMB3.1 million in 2008, compared with a share of profits in the amount of RMB112.9 million in 2007. The share of losses of associated companies in 2008 was primarily attributable to the two projects, Fuzhou Shimao Bund Garden, which was mostly sold out before 2008, and Nanjing Shimao Bund New City, which had smaller sales during 2008.

Share of results of jointly controlled entities. We had a share of profit of jointly controlled entities in the amount of RMB9.5 million in 2008, compared with a share of profit of jointly controlled entities in the amount of RMB0.2 million.

Profit before income tax. Profit before income tax decreased by 68.2% to RMB1,785.5 million in 2008 from RMB5,608.0 million in 2007, primarily attributable to a decrease in our operating profits.

Income tax expense. Our income tax expense decreased by 35.5% to RMB925.2 million in 2008 from RMB1,434.3 million in 2007, primarily due to a decrease in our profit before tax. The effective tax rate in 2008 was 51.8%, compared to 25.6% in 2007. The increase in effective tax rate was mainly due to our gain of RMB751.5 million on partial disposal of a subsidiary not subject to tax and impact of tax rate change on deferred income tax in 2007.

Profit for the year. Profit for the year decreased by 79.4% to RMB860.3 million in 2008 from RMB4,173.8 million in 2007, primarily due to a decrease in profit before income tax, and an increase in the effective tax rate in 2008 as compared with 2007. Profit for the year as a percentage of revenue decreased to 12.0% in 2008 from 45.0% in 2007 as a result of the foregoing factors.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company in 2008 was RMB841.2 million compared with RMB4,091.8 million in 2007, while profit attributable to equity holders of the Company as a percentage of revenue decreased to 11.7% in 2008 from 44.1% in 2007.

Profit attributable to minority interests. Profit attributable to minority interests decreased by 76.7% to RMB19.1 million in 2008 from RMB82.0 million in 2007 as a result of decreased profits for the year.

Liquidity and Capital Resources

Cash flows

The following table presents selected cash flow data from our consolidated cash flow statements for each of the three years ended December 31, 2007, 2008 and 2009 and the six month periods ended June 30, 2009 and 2010:

	For the year ended December 31,				For the six months ended June 30,		
	2007	2008	2009	2009	2009	2010	2010
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(RMB)	(US$)
		(in thousands)					
Net cash (used in)/generated from operating activities	(3,649,454)	278,671	3,974,324	586,054	1,772,225	(6,034,139)	(889,794)
Net cash used in investing activities	(3,918,322)	(5,798,923)	(4,728,962)	(697,333)	132,380	(786,590)	(115,991)
Net cash generated from financing activities	6,367,751	2,771,163	5,863,189	864,586	5,259,430	8,576,239	1,264,652
Net (decrease)/increase in cash and cash equivalents	(1,200,025)	(2,749,089)	5,108,551	753,307	7,164,035	1,755,510	258,868
Cash and cash equivalents at the end of the year/period	4,596,378	1,814,447	6,918,958	1,020,270	8,973,913	8,657,471	1,276,631

Cash flow from operating activities

We derive our cash inflow from operations principally from the pre-sale and sale of properties. Our cash outflow from operations is principally for investments in property under development and land acquisitions. We are subject to certain restrictions on how we use pre-sale proceeds as described in "Regulation."

Six month period ended June 30, 2010. Our net cash outflow from operating activities of RMB6,034.1 million (US$889.8 million) for the six month period ended June 30, 2010 was attributable to net cash used in operations of RMB3,965.4 million (US$584.7 million) and interest received of RMB27.4 million (US$4 million), partially offset by interest paid of RMB681.8 million (US$100.5 million) and PRC income tax paid of RMB1,414.3 million (US$208.6 million). Cash generated from operations prior to changes in working capital was RMB2,915.0 million (US$430 million). Changes in working capital contributed to a net cash outflow of RMB6,880.4 million (US$1,014.6 million), comprising primarily (i) an increase in acquisitions of land use rights of RMB5,041.2 million (US$743.4 million), (ii) an increase in trade and other receivables and prepayments of RMB1,498.0 million (US$220.9 million), (iii) an increase in properties under development and completed properties held for sale of RMB654.4 million (US$96.5 million), (iv) a decrease in trade and other payables of RMB 277.2 million (US$40.9 million), and (v) an increase in restricted cash of RMB168.8 million (US$24.8 million), partially offset by an increase in advanced proceeds received from customers of RMB 775.4 million (US$114.3 million).

2009. Our net cash generated from operating activities of RMB3,974.3 million (US$586.1 million) in 2009 was attributable to net cash generated from operations of RMB5,986.3 million (US$882.7 million) and interest received of RMB30.5 million (US$4.5 million), partially offset by interest paid of RMB1,037.6 million (US$153.0 million) and PRC income tax paid of RMB1,004.8 million (US$148.2 million). Cash generated from operations prior to changes in working capital was RMB4,792.5 million (US$706.7 million). Changes in working capital contributed to a net cash inflow of RMB1,193.8 million (US$176.0 million), comprising primarily (i) a decrease in prepayments for acquisitions of land use rights of RMB7,522.8 million

(US$1,109.3 million) and (ii) an increase in advanced proceeds received from customers of RMB4,929.8 million (US$726.9 million), partially offset by (i) an increase in properties under development and completed properties held for sale of RMB9,765.5 million (US$1,440.0 million), (ii) an increase in trade and other receivables and prepayments of RMB1,204.1 million (US$177.6 million), (iii) a decrease in trade and other payables of RMB195.6 million (US$28.8 million) and (iv) an increase in restricted cash of RMB102.3 million (US$15.1 million).

2008. Our net cash generated from operating activities of RMB278.7 million in 2008 was attributable to net cash generated from operations of RMB2,147.6 million and interest received of RMB28.0 million, partially offset by interest paid of RMB954.5 million and PRC income tax paid of RMB942.5 million. Cash generated from operations prior to changes in working capital was RMB2,213.4 million. Changes in working capital contributed to a net cash ouflow of RMB65.8 million, comprising primarily (i) an increase in properties under development and completed properties held for sale of RMB1,700.9 million, (ii) an increase in prepayments for acquisitions of land use right of RMB261.3 million and (iii) an increase in trade and other receivables and prepayments of RMB518.4 million, partially offset by (i) an increase in trade and other payables of RMB1,159.3 million, (ii) an increase in advanced proceeds received from customers of RMB1,034.7 million and (iii) a decrease in restricted cash of RMB222.6 million.

2007. Our net cash used in operating activities of RMB3,649.5 million in 2007 was attributable to net cash used in operations of RMB2,669.7 million, interest paid of RMB569.6 million and PRC income tax paid of RMB517.7 million, partially offset by interest received of RMB107.6 million. Cash generated from operations prior to changes in working capital was RMB3,319.7 million. Changes in working capital contributed to a net cash outflow of RMB5,989.5 million, comprising primarily (i) an increase in prepayments for acquisitions of land use rights of RMB4,466.0 million, (ii) a decrease in advanced proceeds received from customers of RMB565.3 million (iii) an increase in trade and other receivables and other prepayments of RMB470.1 million, (iv) an increase in restricted cash of RMB336.1 million and (v) an increase in properties under development and completed properties held for sale of RMB229.9 million, partially offset by increase in trade and other payables of RMB77.9 million.

Cash flow from investing activities

Our investing activities mainly comprise investments in property and equipment, investment property, land use rights acquisitions for construction and acquisitions of interests in subsidiaries and associated companies.

Six month period ended June 30, 2010. Our net cash used in investing activities of RMB786.6 million (US$116.0 million) for the six month period ended June 30, 2010 was principally attributable to (i) loans to an associated company RMB500.0 million (US$73.7 million), (ii) additions of properties, equipment and investment properties of RMB323.5 million (US$47.7 million), (iii) loans to jointly controlled entities of RMB205.4 million (US$30.3 million) and (iv) additions and prepayment of land use rights of RMB99.6 million (US$14.7 million), partially offset by capital contributed and advances by minority shareholders of RMB361.6 million (US$53.2 million).

2009. Our net cash used in investing activities of RMB4,729.0 million (US$697.3 million) in 2009 was principally attributable to (i) additions of property, equipment and investment properties of RMB1,046.6 million (US$154.3 million), (ii) prepayments for acquisition of equity interests of RMB2,969.2 million (US$437.8 million), (iii) acquisition of additional interests of subsidiaries of RMB666.1 million (US$98.2 million) and (iv) loans to jointly controlled entities of RMB618.1 million (US$91.1 million) and (v) additions of land use rights and prepayments of land use rights of RMB318.7 million (US$47.0 million), partially offset by (i) acquisitions of subsidiaries, net of cash acquired of RMB748.6 million (US$110.4 million) and (ii) capital contribution from minority shareholders of subsidiaries of RMB128.9 million (US$19.0 million).

2008. Our net cash used in investing activities of RMB5,798.9 million in 2008 was principally attributable to (i) additions of property, equipment and investment properties of RMB1,454.8 million, (ii) additions of land use rights and prepayments of land use rights of RMB2,431.1 million, (iii) loans to jointly controlled entities of RMB1,717.5 million and (iv) repurchase and cancellation of shares of RMB187.0 million.

2007. Our net cash used in investing activities of RMB3,918.3 million in 2007 was principally attributable to (i) additions of property and equipment and investment properties of RMB1,301.7 million, (ii) additions of land use rights of RMB2,348.2 million, (iii) acquisitions of subsidiaries, net of cash acquired of RMB1,391.4 million, partially offset by (i) partial disposal of a subsidiary of RMB1,000 million and (ii) dividends received from associated companies of RMB129.0 million

Cash flow from financing activities

Our financing activities consist primarily of bank borrowings, advances from related companies and distributions of dividends.

Six month period ended June 30, 2010. We had net cash generated from financing activities of approximately RMB8,576.2 million (US$1,264.6 million) for the six month period ended June 30, 2010, primarily attributable to (i) proceeds from borrowings of RMB13,338.0 million (US$1,966.8 million), (ii) a loan from third party of RMB500.0 million (US$73.7 million), and (iii) a decrease in restricted cash of RMB56.8 million (US$8.4 million), and partially offset by (i) repayments of borrowings of RMB4,613.7 million (US$680.3 million) and (ii) dividends paid to our equity holders of RMB714.6 million (US$105.4 million).

2009. We had net cash generated from financing activities of approximately RMB5,863.2 million (US$864.6 million) in 2009, primarily attributable to (i) proceeds from borrowings of RMB14,939.7 million (US$2,203.0 million) and (ii) issue of new shares of RMB1,766.8 million (US$260.5 million), partially offset by (i) repayments of borrowings of RMB9,843.8 million (US$1,451.6 million), (ii) dividends paid to our equity holders of RMB716.4 million (US$105.6 million) and (iii) an increase in restricted cash of RMB245.2 million (US$36.2 million).

2008. We had net cash generated from financing activities of approximately RMB2,771.2 million in 2008, primarily attributable to proceeds from borrowings of RMB5,620.9 million, partially offset by (i) repayments of borrowings of RMB2,389.0 million and (ii) dividends paid to our equity holders of RMB464.9 million.

2007. We had net cash generated from financing activities of approximately RMB6,367.8 million in 2007, primarily attributable to (i) proceeds from borrowings of RMB7,048.7 million and (ii) issue of new shares of RMB3,876.5 million, partially offset by (i) repayments of borrowings of RMB3,189.7 million, (ii) dividends paid to our equity holders of RMB1,087.0 million and (iii) decrease in amount due to a related party of RMB280.7 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, proceeds from sales and pre-sales of our properties, capital contributions from shareholders and other funds raised from the capital markets. Our financing methods may vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Cash and Bank Balances

Our cash and bank balances (including restricted cash balances) amounted to RMB5,006.0 million in 2007, RMB2,001.4 million in 2008, RMB7,479.3 million (US$1,102.9 million) in 2009 and RMB9,329.8 million (US$1,375.8 million) as of June 30, 2010. Our bank balances and cash (including restricted cash balances) increased by RMB1,850.5 million, or 24.7%, to RMB9,329.8 million (US$1,375.8 million) as of June 30, 2010, from RMB7,479.3 million in 2009. Our bank balances and cash (including restricted cash balances) increased by RMB5,477.9 million, or 273.7%, to RMB7,479.3 million in 2009 from RMB2,001.4 million in 2008, primarily due to increased cash inflow from financing activities and net cash generated from operating activities. Our bank balances and cash decreased by RMB3,004.6 million, or 60.0%, to RMB2,001.4 million in 2008 from RMB5,006.0 million in 2007, principally due to increased cash outflow resulting from our loans to jointly controlled entities and decreased cash inflow from financing activities due primarily to decreased proceeds from borrowings and issue of new shares.

Borrowings

Our borrowings as of December 31, 2007, 2008, 2009 and June 30, 2010 were as follows:

	As of December 31,				As of June 30,	
	2007	2008	2009	2009	2010	2010
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(US$)
		(in thousands)				
Group						
Borrowings included in non-current liabilities						
Long-term bank borrowings — secured by assets (1)(2)(5)	6,169,708	8,993,056	14,140,466	2,085,153	22,283,865	3,285,979
Long-term bank borrowings — secured by shares of a listed subsidiary(4)	—	—	—	—	603,000	88,918
Long-term bank borrowings — unsecured	400,000	800,000	750,000	110,595	1,071,000	157,930
Senior notes — secured(3)	4,283,410	4,023,997	4,036,502	595,223	3,971,693	585,666
	10,853,118	13,817,053	18,926,968	2,790,971	27,929,558	4,118,493
Less: Amounts due within one year	(469,081)	(2,921,956)	(2,332,378)	(343,932)	(3,315,800)	(488,948)
	10,384,037	10,895,097	16,594,590	2,447,039	24,613,758	3,629,545
Borrowings included in current liabilities						
Short-term bank borrowings — secured by assets(1)	489,270	564,037	344,080	50,738	449,250	66,246
Short-term bank borrowings — unsecured	294,100	52,913	995,848	146,848	515,000	75,942
Short-term bank borrowings — secured by shares of a listed subsidiary(4)	—	—	260,000	38,340	300,000	44,238
Current portion of long-term bank borrowings	469,081	2,921,956	2,332,378	343,932	3,315,800	488,948
	1,252,451	3,538,906	3,932,306	579,858	4,580,050	675,374
Total	11,636,488	14,434,003	20,526,896	3,026,897	29,193,808	4,304,919

Notes:

1. *As of December 31, 2009 and June 30, 2010, the Group's total secured bank borrowings of RMB14,484,546,000 and RMB22,733,115,000, respectively, were secured by its assets under construction and building, investment properties, land use rights, properties under development, available-for-sale financial assets and restricted cash. As of December 31, 2009 and June 30, 2010, secured borrowings of RMB2,646,112,000 and RMB2,327,127,000, respectively, were further guaranteed by Mr. Hui Wing Mau.*

2. *On August 13, 2007, the Group entered into a bank facility agreement with a syndicate of 20 international and local banks. Pursuant to the agreement, the Group obtained a 3-year extendible syndicated loan facility amounting to US$328,000,000 at a floating rate of interest due on August 13, 2010. The Company repaid US$230,000,000 on May 4, 2009, and the remaining amount of US$98,000,000 was repaid on July 31, 2009.*

3. *On November 29, 2006, the Company issued a total of US$600,000,000 principal amount of 2006 Notes, including US$250,000,000 principal amount of 2006 Floating Rate Notes and US$350,000,000 principal amount of 2006 Fixed Rate Notes. The Company may at its option redeem the notes, in whole or in part, by certain dates based on the terms of the notes. The notes are senior obligations guaranteed by certain subsidiaries other than those established under the laws of the PRC ("Subsidiary Guarantors"), and secured by a pledge of the shares of these Subsidiary Guarantors. We intend to finance the redemption of the outstanding principal amount of our 2006 Floating Rate Notes from the proceeds of the offering.*

4. *As of December 31, 2009 and June 30, 2010, 45,000,000 shares and 16,424,000,000 shares of Shanghai Shimao held by the Group had been pledged for a total bank borrowings of RMB260,000,000 and RMB903,000,000 for group companies, respectively.*

5. *On May 14, 2010, the Company entered into a multi-currency loan facility agreement with a syndicate of 14 banks. Pursuant to the agreement, the Company obtained 3-year syndicated loan facilities, including a US$440,000,000 facility and a HK$156,000,000 facility at a floating rate of interest, due on May 14, 2013. All the facilities have been drawn down as of June 30, 2010.*

The maturity of our bank borrowings as of December 31, 2007, 2008, 2009 and June 30, 2010 that were included in non-current liabilities were as follows:

	As of December 31,				As of June 30,	
	2007	2008	2009	2009	2010	2010
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(US$)
			(in thousands)			
Bank borrowings:						
Between 1 and 2 years	707,422	3,044,600	2,679,300	395,090	5,613,201	827,723
Between 2 and 5 years	4,635,277	2,943,500	5,885,788	867,918	10,368,364	1,528,919
Over 5 years	757,928	883,000	3,993,000	588,808	4,660,500	687,237
Senior notes:						
Between 1 and 2 years	—	—	1,691,252	249,392	1,686,112	248,634
Between 2 and 5 years	1,784,754	1,681,159	—	—	—	—
Over 5 years	2,498,656	2,342,838	2,345,250	345,831	2,285,581	337,032
Total	10,384,037	10,895,097	16,594,590	2,447,039	24,613,758	3,629,545

The effective interest rates as of December 31, 2007, 2008, 2009 and June 30, 2010 were as follows:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
Bank borrowings — RMB	7.33%	5.68%	5.60%	5.51%
Bank borrowings — US$	5.99%	3.90%	—	3.27%
Bank borrowings — HK$	6.03%	3.24%	1.43%	1.40%
Senior notes — US$	7.92%	7.55%	6.68%	5.74%

The carrying amounts of all our borrowings as of December 31, 2007, 2008, 2009 and June 30, 2010 were denominated in the following currencies:

	As of December 31,							As of June 30,		
	2007		2008		2009			2010		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%	(RMB'000)	(US$'000)	%
RMB	4,477,794	38.5	8,134,937	56.4	13,844,282	2,041,478	67.4	19,554,205	2,883,463	67.0
HK$	234,100	2.0	52,913	0.4	2,646,112	390,196	12.9	2,679,914	395,180	9.2
US$	6,924,594	59.5	6,246,153	43.2	4,036,502	595,222	19.7	6,959,689	1,026,276	23.8
Total	11,636,488	100.0	14,434,003	100.0	20,526,896	3,026,896	100.0	29,193,808	4,304,919	100.0

The following sets forth the breakdown of our borrowings into those on a fixed rate basis and those on a floating rate basis:

	As of December 31,							As of June 30,		
	2007		2008		2009			2010		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US$)	(%)	(RMB)	(US$)	(%)
	(RMB and US$ in thousands)							(RMB and US$ in thousands)		
Fixed	2,498,656	21.5	2,342,838	16.2	2,345,250	345,830	11.4	2,285,581	337,032	7.8
Floating	9,137,832	78.5	12,091,165	83.8	18,181,646	2,681,066	88.6	26,908,227	3,967,887	92.2
Total	11,636,488	100.0	14,434,003	100.0	20,526,896	3,026,896	100.0	29,193,808	4,304,919	100.0

Subsequent to June 30, 2010, we issued the 2010 Notes on August 3, 2010, entered into the facility agreement (as amended on July 14, 2010) with the Hongkong and Shanghai Banking Corporation Limited in connection with a revolving facility of up to HK$827 million and a term loan facility of HK$408 million, which were drawn on August 31, 2010, entered into the facility agreement on October 22, 2010 with the Hongkong and Shanghai Banking Corporation Limited in connection with a term loan facility of up to HK$150 million, and 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.

Our sources of funds as of June 30, 2010 comprised the following:

	As of June 30, 2010				
	Available Facilities	Utilised Facilities	Undrawn Facilities	Undrawn Facilities expiring within 1 year	Undrawn Facilities expiring beyond 1 year
	(RMB in thousands)				
Borrowings					
Current	12,141,050	4,580,050	7,561,000	7,561,000	—
Non-current	24,613,758	24,613,758	—	—	—
Total committed facilities	36,754,808	29,193,808	7,561,000	7,561,000	—
Total uncommitted facilities	—	—	—	—	—
Total loan facilities	36,754,808	29,193,808	7,561,000	7,561,000	—

As of November 30, 2010, our total outstanding borrowings were RMB34,252.9 million (US$5,050.9 million). A substantial portion of these loans were PRC bank loans and were secured by land use rights and other assets and properties as well as guaranteed by certain of our PRC subsidiaries.

For a more detailed discussion of our other material indebtedness, see "Description of Other Material Indebtedness."

Restricted Cash

In connection with mortgage loans provided to our purchasers, the mortgagee banks typically require our project companies to make guarantee deposits with them. As of December 31, 2007, 2008 and 2009 and June 30, 2010, such guarantee deposits amounted to approximately RMB120.7 million, RMB75.4 million, RMB203.6 million (US$30.0 million) and RMB372.4 million (US$54.9 million), respectively.

In the years ended December 31, 2007, 2008, 2009 and the six month period ended June 30, 2010, some of our bank deposits were pledged for certain of our bank borrowings. As of December 31, 2007, 2008 and 2009 and June 30, 2010, such pledged bank deposits amounted to approximately RMB288.9 million, RMB111.6 million, RMB356.8 million (US$52.6 million) and RMB300.0 million (US$44.2 million), respectively.

Contractual Commitments

We fund our contractual commitments using any one or a combination of our internal cash flow, bank loans, shareholders' contributions and funds raised from the capital markets. The table below sets forth our contractual commitments as of December 31, 2009 and June 30, 2010:

	As of December 31, 2009		As of June 30, 2010	
	(RMB)	(US$)	(RMB)	(US$)
	(in thousands)		(in thousands)	
Commitments for capital and property development expenditure				
Authorized but not contracted for	—	—		
Contracted but not provided for				
— Property and equipment	1,385,451	204,299	1,833,732	270,402
— Land use rights	13,176,415	1,942,994	17,858,703	2,633,444
— Properties being developed by the Group for sale	4,939,538	723,384	8,368,691	1,234,047
— Advances to local government authorities for land resettlement and site formation	3,077,322	453,782	3,186,822	469,929
	22,578,726	3,329,459	31,247,948	4,607,822
Operating lease commitments				
Within one year	35,269	5,201	32,308	4,764
Between two to five years	247,444	36,488	247,792	36,539
After five years	475,564	70,127	468,904	69,145
	758,277	111,816	749,004	110,448
Operating lease rentals receivable				
Within one year	136,667	20,153	284,205	41,909
Between two to five years	300,756	44,349	632,320	93,242
After five years	335,648	49,495	916,315	135,120
	773,071	113,997	1,832,840	270,271

Contingent Liabilities

As of December 31, 2007, 2008, 2009 and June 30, 2010, we had provided guarantees for RMB2,132.1 million, RMB2,468.2, RMB3,588.3 million (US$529.1 million) and RMB5,019.2 million (US$740.1 million) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of our properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible for repaying the outstanding mortgage principal amounts together with accrued interest and penalties owed by the defaulting purchasers to the banks and we are entitled to take over the legal title and possession of the related properties. Our directors consider that in case of a default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees. See "Risk Factors — Risks Relating to Our Business — We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments."

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any variable interests 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

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. Our exposure to changes in interest rates is mainly attributable to our borrowings, especially long-term borrowings. Borrowings at variable rates expose us to cash flow interest rate risk. Borrowings at fixed rate expose us to fair value interest rate risk. As of June 30, 2010, we had floating rate borrowings of RMB26,908.2 million (US$3,967.9 million) and fixed rate borrowings of RMB2,285.6 million (US$337.0 million). As of the date of this document, we have not used any interest rate swap to hedge our exposure to interest rate risk.

An increase in interest rates may also adversely affect prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue and profits. The PBOC benchmark one-year lending rates in China (which directly affects the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2007, 2008, 2009 and 2010 were 7.47%, 5.31%, 5.31% and 5.81%, respectively. On February 9, 2011, the PBOC further increased the benchmark one-year deposit and leading rate by 0.25% to 6.06%. We cannot assure you that the PBOC will not raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments. See "Risk Factors — Risks Relating to Our Business — Our financing costs are affected by changes in interest rates."

We are also exposed to fluctuations in HIBOR or LIBOR. Our credit facilities entered into with China Construction Bank (Asia) Corporation Limited and China Construction Bank Corporation, Hong Kong Branch and the Hong Kong dollar tranche of our 2010 Synidcated Loan Facilities (as defined below) carry an interest rate linked to Hong Kong Interbank Offered Rate ("HIBOR"). Our US$250 million Senior Floating Rate Notes due 2011 and the U.S. dollar tranche of our 2010 Syndicated Loan Facilities carry an interest rate linked to London Interbank offered Rate ("LIBOR"). For details on these credit facilities, see "Description of Other Material Indebtedness." Higher interest rates may increase our finance costs, and our business, financial condition and results of operations could be adversely affected.

Foreign Exchange Rate Risk

We conduct our sales and purchases almost exclusively in Renminbi except that a small portion of our sales proceeds are in other currencies. Our exposure to foreign exchange risk is principally due to our U.S. dollar-denominated debt and our bank deposits in foreign currencies, mainly Hong Kong dollars and U.S. dollars. As of June 30, 2010 we had US dollar-denominated debt totalling RMB6,959.7 million (US$1,026.3 million), consisting of the US$250 million Senior Floating Rate Notes due 2011, US$350 million 8% Senior Notes 2016 and a syndicate loan of US$440 million (which is part of the 2010 syndicated loan facilities with proceeds of US$440 million and HK$156 million) due 2013. As of the same date, we had aggregate cash and bank balances (including restricted cash balances for borrowings) of RMB9,329.8 million (US$1,375.8 million), of which RMB32.8 million (US$4.8 million) was denominated in Hong Kong dollars and RMB838.8 million (US$123.5 million) was denominated in US dollars.

We recognize foreign exchange gain or loss on our income statement due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. Appreciation of the Renminbi against the U.S. dollar generally results in a gain arising from our U.S. dollar-denominated debt and a loss arising from our bank deposits in Hong Kong dollars and U.S. dollars. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency-denominated debts.

Fluctuations in the foreign exchange rate have had and will continue to have an impact on our business, financial condition and results of operations. See "Risk Factors — Risks Relating to the Securities — We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the U.S. dollar." We may choose to use hedging transactions to reduce our exposure to foreign exchange rate fluctuations from time to time. For example, we may enter into non-speculative hedging or other derivative transactions, which may include transactions relating to our obligations under the Securities. Our obligations under these transactions may be secured by cash or other collateral.

Inflation

In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the past three years. According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 4.8% and 5.9% in the years ended December 31, 2007 and 2008, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase. In the year ended December 31, 2009, China experienced deflation of approximately 0.7%. As of the date of this document, we had not been materially affected by any inflation or deflation.

Non-GAAP Financial Measures

We use certain non-GAAP data, such as EBITDA, to provide additional information about our operating performance as we believe that it is a useful measure to assess our operating performance, operating cash flow and historical ability to meet debt service and capital expenditure requirement.

Our calculation of EBITDA refers to our earnings before the following items:

- income tax expense;
- net finance costs including interest expense offset by interest income;
- share of results of associated companies and jointly controlled entities;
- depreciation of property and equipment and amortization of land use rights;
- fair value gain or loss on investment properties; and
- certain other special gains or expenses, including gains on deemed disposal to minority interests, gain on partial disposal of a subsidiary, negative goodwill arising from acquisition of subsidiaries and minority interests, impairment of goodwill and net exchange gain.

EBITDA is not a standard measure under either HKFRS or U.S. GAAP and should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of liquidity, profitability or cash flows derived in accordance with HKFRS. Interest expense excludes amounts capitalized.

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. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation and amortization, as well as non-operating items, such as fair value gains or losses on investment properties, interest income and expenses, other special gains or expenses arising from certain acquisitions and disposals and foreign exchange differences. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortization and interest income and expense, fair value changes of investment properties and certain other special gains or expenses, we believe our calculation of 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 operating profit for the year under HKFRS to our definition of EBITDA for the years indicated.

	For the year ended December 31,				For the six months ended June 30,		
	2007	**2008**	**2009**	**2009**	**2009**	**2010**	**2010**
					Unaudited	**Unaudited**	**Unaudited**
	(RMB)	**(RMB)**	**(RMB)**	**(US$)**	**(RMB)**	**(RMB)**	**(US$)**
		(in thousands)				**(in thousands)**	
Operating profit for the year/period	5,662,228	2,128,758	5,998,530	884,543	2,217,454	3,807,002	561,381
Adjustments:							
Add:							
Depreciation of property and equipment	158,432	224,222	238,902	35,228	130,794	141,003	20,792
Amortization of land use rights	32,123	35,390	32,380	4,775	15,201	13,211	1,948
Impairment of goodwill	63,702	9,198	152,575	22,499	4,558	9,200	1,357
Less:							
Fair value gains/(losses) on investment properties	1,155,253	(122,749)	213,834	31,532	54,544	1,008,429	148,703
Gains on partial disposal of a subsidiary	751,530	—	—	—	—	—	—
Gains on deemed disposal to minority interests	—	—	1,501,093	221,351	1,395,849	—	—
Negative goodwill arising from acquisition of subsidiaries and minority interests	523,060	6,841	—	—	—	—	—
Net exchange gain	229,996	414,658	5,275	778	27,316	46,508	6,858
EBITDA	3,256,646	2,098,818	4,702,185	693,384	890,298	2,915,479	429,917

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under HKFRS or U.S. GAAP. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

Macro-Economic Situation in China

China's economy has achieved significant growth since the adoption of an open door policy in 1978, and its accession to the World Trade Organization further benefited the economy. In the past six years, China's nominal GDP has increased from RMB15,988 billion in 2004 to approximately RMB31,405 billion in 2009 at a compound annual growth rate of approximately 14.5%, making China one of the fastest growing economies in the world. In 2009, China's GDP grew approximately 9.2% in real term as compared to 2008. In addition, the cities and provinces (Shanghai, Beijing, Tianjin, Wuhan, Wuhu, Xianyang, Chengdu, Guangzhou, Liaoning Province, Jiangsu Province, Zhejiang Province, Shandong Province, Fujian Province and Heilongjiang Province) where we have property development projects have also experienced high GDP growth for the six years from 2004 to 2009. The tables below set out the GDP, GDP growth and per capita GDP data for China and the aforementioned cities and provinces for the years indicated:

	2004	2005	2006	2007	2008	2009
			Nominal GDP (RMB billions)			
China	15,988	18,494	21,631	26,581	31,405	34,090
Shanghai	807	916	1,037	1,219	1,370	1,055
Beijing	603	697	811	985	1,112	1,215
Tianjin	311	370	436	505	635	752
Wuhan	196	224	259	314	396	456
Wuhu	35	40	48	58	74	90
Xianyang	34	43	48	59	76	87
Chengdu	219	237	275	332	390	450
Guangzhou	412	515	607	711	822	911
Liaoning Province	667	801	926	1,102	1,346	1,521
Jiangsu Province	1,551	1,827	2,155	2,556	3,031	3,446
Zhejiang Province	1,165	1,377	1,565	1,864	2,149	2,299
Shandong Province	1,502	1,852	2,207	2,596	3,107	3,390
Fujian Province	576	656	761	925	1,082	1,224
Heilongjiang Province	475	551	619	707	831	859

	2004	2005	2006	2007	2008	2009
			GDP growth rate (%)			
China	10.1	11.3	12.7	14.2	9.6	9.2
Shanghai	14.2	11.1	12.0	14.3	9.7	8.2
Beijing	14.1	11.8	12.8	13.3	9.0	10.2
Tianjin	15.8	14.7	14.5	15.2	16.5	16.5
Wuhan	14.5	14.7	14.8	15.6	15.1	13.7
Wuhu	14.6	13.1	15.4	16.6	15.8	15.4
Xianyang	13.6	13.0	13.8	13.1	12.2	14.2
Chengdu	13.6	13.5	13.8	15.3	12.1	14.7
Guangzhou	15.0	12.9	14.8	14.9	12.3	11.5
Liaoning Province	12.8	12.3	13.8	14.5	13.1	13.1
Jiangsu Province	14.8	14.5	14.9	14.9	12.3	12.4
Zhejiang Province	14.5	12.8	13.9	14.7	10.1	8.9
Shandong Province	15.4	15.2	14.8	14.3	12.1	12.2
Fujian Province	11.8	11.6	14.8	15.2	13.0	12.3
Heilongjiang Province	11.7	11.6	12.1	12.0	11.8	11.4

	2004	2005	2006	2007	2008	2009
			GDP per Capita (RMB)			
China	12,336	14,185	16,499	20,164	23,708	25,575
Shanghai	46,338	52,535	58,837	68,024	75,109	78,989
Beijing	41,099	45,993	52,054	61,274	66,797	70,452
Tianjin	30,575	37,796	42,141	47,970	58,656	62,574
Wuhan	24,963	26,238	29,899	35,582	44,290	N.A.
Wuhu	15,392	17,750	21,045	25,933	32,500	39,142
Xianyang	6,954	8,791	9,738	11,705	15,286	17,429
Chengdu	20,777	19,627	25,171	26,525	30,855	N.A.
Guangzhou	56,271	69,268	63,100	71,808	81,233	N.A.
Liaoning Province	15,835	19,074	21,914	26,054	31,736	35,239
Jiangsu Province	20,223	24,953	28,943	34,294	40,497	44,744
Zhejiang Province	24,352	27,661	31,825	37,358	42,166	44,641
Shandong Province	16,413	19,934	23,603	27,604	32,936	35,894
Fujian Province	16,469	18,605	21,384	25,906	30,122	33,840
Heilongjiang Province	12,449	14,440	16,255	18,580	21,740	22,447

Sources: CEIC Data Company Limited ("CEIC")

China's per capita disposable annual income for urban households increased from RMB9,422 in 2004 to RMB17,174 in 2009, implying increased purchasing power for urban households throughout China. A similar trend can also be witnessed for cities including Shanghai, Beijing, Tianjin, Wuhan, Wuhu, Xinyang, Chengdu, Guangzhou, Liaoning Province, Jiangsu Province, Zhejiang Province, Shandong Province, Fujian Province and Heilongjiang Province. The following tables illustrate the per capita disposable annual income for urban households and the per capita savings for China as well as for selected cities and provinces:

	2004	2005	2006	2007	2008	2009
			per capita disposable annual income for urban households (RMB)			
China	9,422	10,493	11,760	13,786	15,781	17,174
Shanghai	16,683	18,645	20,668	23,623	26,675	28,837
Beijing	15,638	17,653	19,978	21,989	24,725	26,738
Tianjin	11,467	12,639	14,283	16,357	19,423	21,402
Wuhan	9,562	10,848	12,356	14,358	16,712	18,389
Wuhu	8,553	9,629	10,841	13,234	14,399	16,747
Xianyang	8,257	8,780	9,432	10,970	13,208	16,404
Chengdu	10,394	11,360	12,790	14,849	16,943	18,659
Guangzhou	16,884	18,287	19,851	22,469	25,317	27,609
Liaoning Province	8,008	9,108	10,370	12,300	14,393	15,761
Jiangsu Province	10,482	12,319	14,084	16,378	18,680	20,552
Zhejiang Province	14,546	16,293	18,265	20,574	22,727	24,611
Shandong Province	9,438	10,745	12,192	14,265	16,305	17,811
Fujian Province	11,175	12,321	13,753	15,506	17,962	19,577
Heilongjiang Province	7,471	8,273	9,182	10,245	11,581	13,566

Sources: CEIC

Real Estate Market in China

Real estate reform in the PRC did not commence until the 1990s, prior to which the PRC real estate development industry was part of the nation's planned economy. In the 1990s, China's real estate and housing sector began its transition to a market-based system. A brief timeline of key housing reforms is set out below:

Year	Event
1988	The PRC government amended the national constitution to permit the transfer of state-owned land use rights
1992	Public housing sales in major cities commenced
1994	The PRC government further implemented the reform and established an employer/employee-funded housing fund
1995	The PRC government issued regulations regarding the sales and pre-sales of real estate, establishing a regulatory framework for real estate sales
1998	The PRC government abolished state-allocated housing policy
	Guangdong government issued regulations on the administration of pre-sales of commodity properties in Guangdong Province
1999	The PRC government extended maximum mortgage term to 30 years
	The PRC government increased the maximum mortgage financing from 70% to 80%
	The PRC government formalized procedures for the sale of real property in the secondary market
2000	The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality
2001	The PRC government issued regulations relating to sales of commodity properties
2002	The PRC government promulgated the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale
	The PRC government eliminated the dual system for domestic and overseas home buyers in China
2003	The PRC government promulgated rules for more stringent administration of real estate loans with a view to reducing the credit and systemic risks associated with such loans
	The PRC State Council (the "State Council") issued a notice for sustained and healthy development of the property market
2004	The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary housing), the proportion of capital funds should be increased from 20% to 35%
	Ministry of Construction amended Administrative Measures on the Presale of Commercial Housing in Cities
	The CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk control of commercial banks on real estate loans

Year	Event
2005	The PRC government instituted additional measures to discourage speculation in certain regional markets including, among others, increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling unfinished properties before they are completed
2006 to mid-2008	The PRC government implemented additional land supply, bank financing, foreign investment and other measures to curtail fast increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry The PRC government issued regulations to urge the full and effective use of existing construction land and the preservation of farming land and rules to control financial institutions' property financings to further curtail speculation, over development and fast increases in property prices.
Mid-2008 to the fourth quarter of 2009	The PRC government implemented a number of measures to combat the global economic slowdown. These measures include the lowering of the PBOC benchmark bank lending rates, the internal capital ratio for property projects and the down payment requirements for purchasing residential properties.
The fourth quarter of 2009 to February 2011	The PRC government adjusted some policies to curtail the overheating of the PRC property market including abolishing certain preferential treatment in respect of business tax payable upon transfer of residential properties, increasing the down payment and the loan interest rates for properties purchased with mortgage loans, imposing more stringent requirements on the payment of land premiums, suspending grant of mortgage loans to non-residents who cannot provide any proof of local tax or social insurance payment for more than one year, limiting the number of residential properties one household can purchase in certain areas such as Beijing, Shanghai, Guangzhou, Qingdao, Shenzhen, Suzhon, Nanjing, Tianjin, Wuhai, Ningbo, Fuzhou, Nanchang, Hangzhou, Chengdu and Dalian, and levying property taxes on a trial basis in Shanghai and Chongqing. The PRC government also clarified certain issues with respect to the calculation, settlement and collection of land appreciation tax in order to enforce the settlement and collection of land appreciation tax, and the criteria for commercial banks to identify the second housing unit when approving mortgage loans. Furthermore, the PRC government limited purchases of properties in the PRC by overseas individuals and institutions.

Growth of the Real Estate Market in China

High economic growth coupled with an increase in disposable income and urbanization rates are among the key factors contributing to the growth of China's real estate market. According to CEIC, a total of approximately 947.6 million sq.m. of GFA was sold in China in 2009, representing a 15.9% compound annual growth rate from 2004. The real estate market in Shanghai, Beijing, Tianjin, Wuhan, Wuhu, Xianyang, Chengdu, Guangzhou, Liaoning Province, Jiangsu Province, Zhejiang Province, Shandong Province, Fujian Province and Heilongjiang Province also showed healthy growth over the years. The following tables set forth figures showing the total GFA sold and completed, total sales volume and property price per sq. m. in China as well as for the aforementioned cities and provinces for the periods indicated:

	2004	2005	2006	2007	2008	2009
	GFA sold (sq. m. in millions)					
China	453.6	554.9	618.6	773.5	659.7	947.6
Shanghai	36.4	31.6	30.3	36.9	30.0	33.7
Beijing	27.7	31.2	26.1	21.8	13.4	23.6
Tianjin	8.6	14.1	14.6	15.5	12.5	15.9
Wuhan	6.6	6.8	9.6	11.4	7.3	N.A.
Wuhu	0.9	1.2	1.5	2.0	1.8	N.A.
Xianyang	0.3	0.7	0.7	0.8	1.1	N.A.
Chengdu	7.6	12.3	16.0	22.3	14.6	N.A.
Guangzhou	8.7	12.7	13.2	13.5	10.8	N.A.
Liaoning Province	20.1	25.6	30.1	38.3	40.9	53.8
Jiangsu Province	31.8	51.4	61.0	76.0	54.1	102.5
Zhejiang Province	30.5	33.1	35.4	45.4	29.9	55.4
Shandong Province	33.0	37.5	41.7	50.6	55.1	70.1
Fujian Province	13.8	19.1	20.2	24.2	16.3	27.2
Heilongjiang Province	9.8	12.4	14.8	17.1	14.9	20.2

	2004	2005	2006	2007	2008	2009
	GFA completed (sq. m. in millions)					
China	526.4	534.2	558.3	606.1	665.4	726.8
Shanghai	37.1	31.0	32.7	33.8	25.7	21.0
Beijing	34.3	37.7	31.9	28.9	25.6	26.8
Tianjin	11.2	14.8	15.2	17.0	18.0	19.0
Wuhan	7.0	8.2	8.7	9.3	8.7	9.5
Wuhu	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Xianyang	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chengdu	8.6	7.6	12.0	10.9	12.1	17.4
Guangzhou	9.5	10.6	9.8	8.8	10.6	10.8
Liaoning Province	23.0	24.4	28.9	31.3	38.3	40.3
Jiangsu Province	39.1	55.0	59.3	63.4	82.7	84.4
Zhejiang Province	35.6	41.3	38.8	41.0	44.6	38.4
Shandong Province	38.4	36.0	37.0	37.9	45.4	50.2
Fujian Province	15.2	15.8	14.1	17.1	19.1	22.4
Heilongjiang Province	11.1	13.1	14.0	16.0	14.0	18.9

	2004	2005	2006	2007	2008	2009
	Total sales volume (RMB billions)					
China	1,260.1	1,757.6	2,082.6	2,988.9	2,506.8	4,435.5
Shanghai	241.8	216.1	217.1	308.9	191.7	433.0
Beijing	145.3	212.0	215.9	251.5	165.8	326.0
Tianjin	27.1	57.1	69.6	90.0	75.3	109.5
Wuhan	16.6	19.4	35.5	53.0	35.0	N.A.
Wuhu	1.7	3.1	4.2	6.3	7.1	N.A.
Xinyang	0.4	1.1	1.4	1.7	2.7	N.A.
Chengdu	18.6	39.6	58.2	95.2	70.9	N.A.
Guangzhou	39.6	68.2	86.7	117.2	93.5	N.A.
Liaoning Province	48.7	71.7	92.4	133.7	153.8	216.9
Jiangsu Province	84.3	172.5	219.2	305.8	246.7	510.6
Zhejiang Province	94.8	141.5	169.3	262.8	187.4	433.0
Shandong Province	65.7	91.1	106.0	147.0	163.6	245.9
Fujian Province	35.4	60.5	80.7	113.5	71.3	147.8
Heilongjiang Province	18.7	26.1	32.6	42.2	42.1	65.4

Sources: CEIC

	2004	2005	2006	2007	2008	2009
	Property price (RMB per sq. m.)					
China	2,778	3,168	3,367	3,864	3,800	4,681
Shanghai	6,639	6,842	7,196	8,361	8,195	12,840
Beijing	5,243	6,788	8,280	11,553	12,418	13,799
Tianjin	3,155	4,055	4,774	5,811	6,015	6,886
Wuhan	2,516	3,161	3,690	4,664	4,781	N.A.
Wuhu	1,931	2,550	2,901	3,208	3,984	N.A.
Xianyang	N/A	1,260	1,658	1,700	1,680	N.A.
Chengdu	2,452	3,219	3,638	4,276	4,857	N.A.
Guangzhou	4,536	5,161	6,545	8,673	8,661	N.A.
Liaoning Province	2,417	2,798	3,073	3,490	3,758	4,034
Jiangsu Province	2,613	3,359	3,592	4,024	4,049	4,983
Zhejiang Province	3,108	4,280	4,774	5,786	6,262	7,826
Shandong Province	1,988	2,425	2,541	2,904	2,970	3,505
Fujian Province	2,590	3,162	3,994	4,684	4,384	5,427
Heilongjiang Province	1,903	2,099	2,196	2,471	2,832	3,241

Sources: CEIC

Hotel Industry In The PRC

China's tourism industry has benefitted from the strong economic growth in China which has resulted in higher disposable income for urban households, reflecting a more affluent domestic customer base. In addition, the increased number of international travelers to China also contributed to the growth of China's tourism sector. The total number of overseas visitor arrivals reached 126 million visitors in 2009, representing a compound annual growth rate of 3.0% from 2004 to 2009. The majority of these visitor arrivals were compatriots from Hong Kong, Macau and Taiwan, who accounted for approximately 82.7% of all overseas visitors to the PRC in 2008. Moreover, the number of foreign visitors to the PRC also increased at a compound annual growth rate of 5.3% between 2004 and 2009. The table below sets out the number of overseas visitors arriving in the PRC for the period 2004 to 2009:

	Overseas visitor arrivals					
	2004	2005	2006	2007	2008	2009
From Hong Kong/Macau (millions)	88	96	98	101	101	100
From Taiwan (millions)	4	4	4	5	4	4
Foreigners (millions)	17	20	22	26	24	22
Total (millions)	109	120	124	132	129	126
Increase/(Decrease) (%)	—	10.3%	3.9%	5.5%	(1.4%)	(2.7%)

Sources: CEIC

In particular, cities such as Shanghai continued to show steady growth in overseas visitor arrivals from 2004 to 2009, growing at a compound annual growth rate of 8.4%. Among all overseas visitor arrivals to Shanghai in 2009, approximately 77.8% were foreigners (excluding compatriots from Hong Kong, Macau and Taiwan). The table below sets out the overseas visitor arrival statistics for Shanghai for the period 2004 to 2009:

	Overseas visitor arrivals to Shanghai					
	2004	2005	2006	2007	2008	2009
From Hong Kong/Macau (millions)	0.5	0.5	0.5	0.5	0.5	0.5
From Taiwan (millions)	0.7	0.7	0.7	0.8	0.8	0.9
Foreigners (millions)	3.0	5.0	5.0	5.0	5.0	4.9
Total (millions)	4.2	6.2	6.2	6.3	6.3	6.3
Increase/(Decrease)(%)	—	16.1%	6.0%	9.9%	(3.8%)	(1.8%)

Sources: CEIC

To accommodate the growing number of visitor arrivals, the number of star-rated hotels in China increased from 10,888 in 2004 to 14,099 in 2008, representing a compound annual growth rate of 6.7%. The table below sets forth the number of star-rated hotels as well as the average occupancy rates for China from 2004 to 2008 and for Shanghai, in particular, five-star hotels in Shanghai, from 2004 to 2008, reflecting supply in the China hotel sector and Shanghai hotel sector:

	Hotel room supply and average occupancy rates					
	2004	**2005**	**2006**	**2007**	**2008**	**2009**
China						
Star-rated hotels (number)	10,888	11,828	12,751	13,583	14,099	14,257
Average occupancy rates (%)	60.6%	61.0%	61.0%	61.0%	58.3%	57.9%
Shanghai						
Star-rated hotels (number)	366	351	317	320	310	298
Average occupancy rates (%)	68.9%	65.8%	63.7%	61.3%	55.4%	50.2%
Shanghai Five-star Hotels						
Number of hotels (number)	24	25	26	32	37	38
Average occupancy rate (%)	76.5%	72.2%	72.5%	65.5%	60.4%	53.2%
Average room rate (RMB/room day)	1,178	1,343	1,385	1,397	1,252	1,005

Sources: CEIC

Office Property Market in China

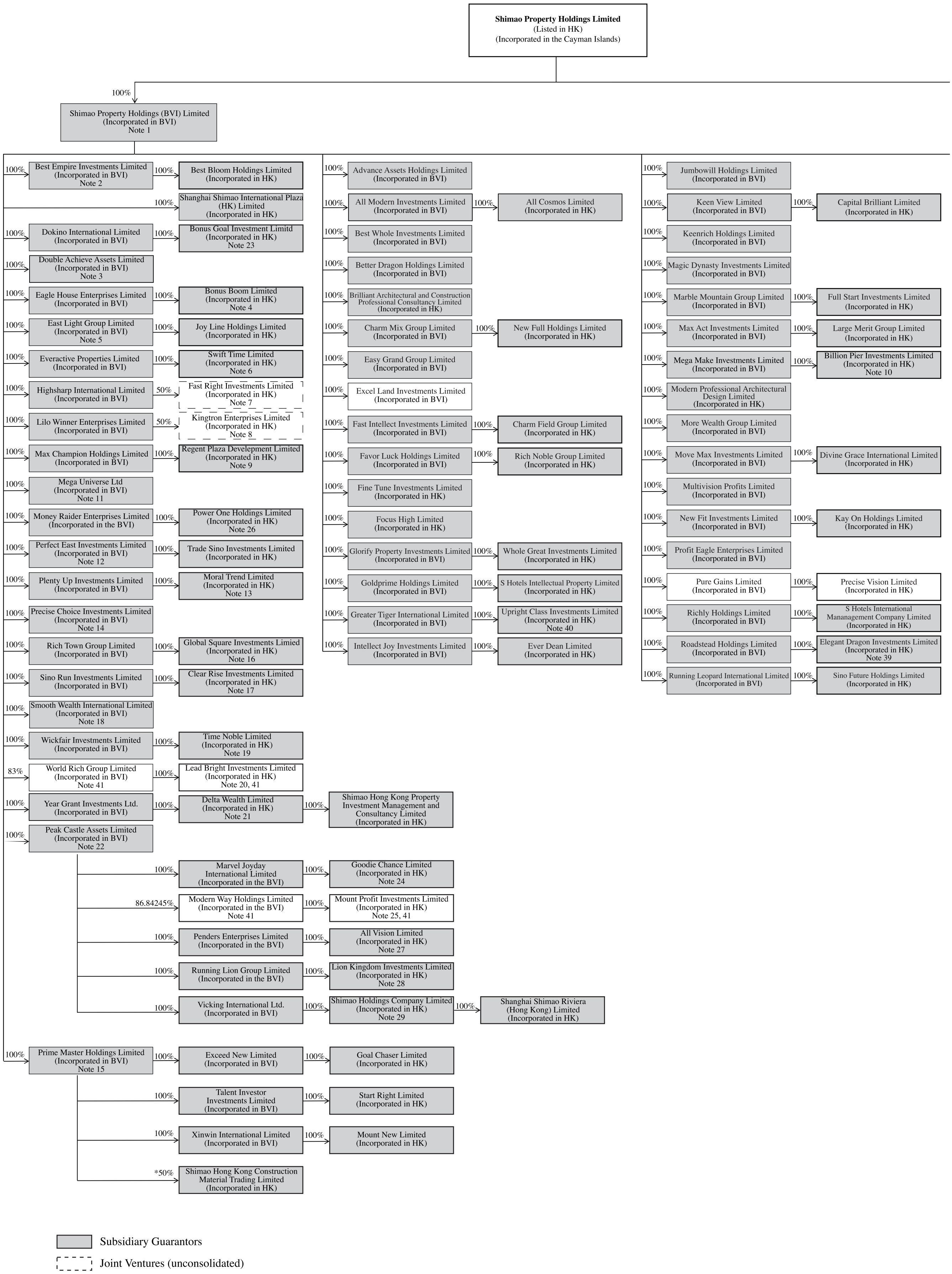
Total foreign investments in China increased from US$64.1 billion in 2004 to US$90.0 billion in 2009. Many multi-national corporations have set up their regional headquarters in order to better access local market and establish global foothold. The economic growth has been accompanied by a general shifting of the economic base within major urban areas such that there has been a move away from production-based industrial activities to more service-based activities, such as research and development, product design, market research and branding and positioning. The Tertiary industry is becoming a more important component of the overall economy, growing from RMB6,456 billion in 2004 to RMB14,292 billion in 2009. The employed population in the tertiary sector in China increased from 124 million in 1991 to 266 million in 2009 and its share of the entire workforce rose from 18.9% to 34.1%, respectively. The growth in the tertiary sector will generate more demand for office properties to house the enlarging workforce in this sector.

Retail Property Market in China

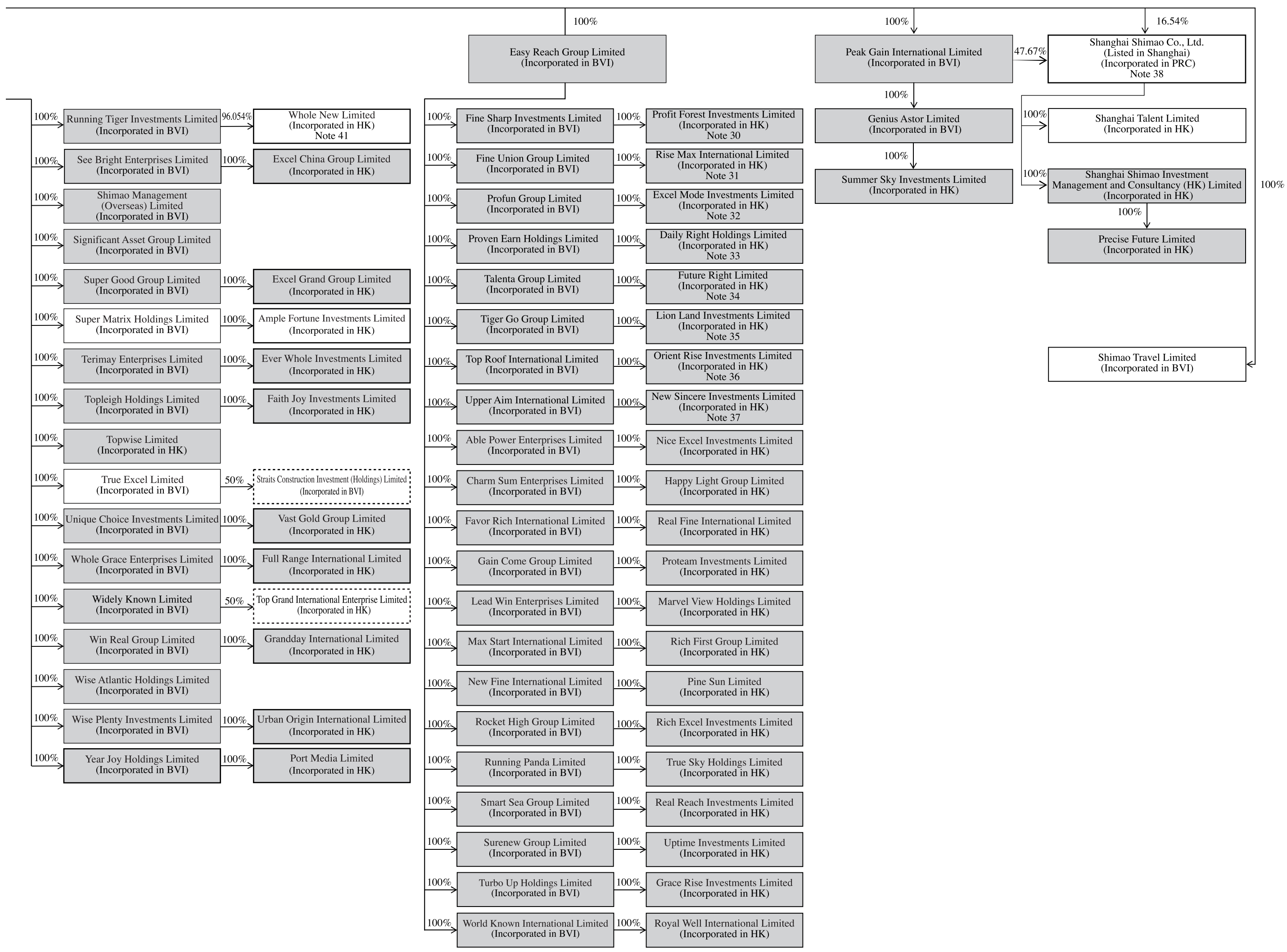
Retail sales in China have experienced strong growth. Retail sales in China grew by 15.5% in 2009. Growth in retail sales largely reflected the urbanization of households in China, as the propensity to consume of urban households is higher than that of rural households. Disposable income in China has continued to grow steadily and this has benefited the development of the retail sector in the country. As China's population becomes more affluent, the composition of its population's retail spending is shifting away from a heavy weighting towards food to a more balanced consumption model often common for a more developed country. The shift in consumption pattern towards more discretionary spending is expected to continue as income increases. Demand for prime retail spaces is expected to remain firm on the back of China's rapid urbanization and rising income level of middle and upper class.

CORPORATE STRUCTURE

The following chart illustrates our simplified corporate structure as of November 30, 2010:



* *Shanghai Shimao Co., Ltd. holds the other 50% equity interest of the company*


100%
Easy Reach Group Limited (Incorporated in BVI)
100%
Peak Gain International Limited (Incorporated in BVI)
16.54%
47.67%
Shanghai Shimao Co., Ltd. (Listed in Shanghai) (Incorporated in PRC) Note 38
100%
Running Tiger Investments Limited (Incorporated in BVI)
96.054%
Whole New Limited (Incorporated in HK) Note 41
See Bright Enterprises Limited (Incorporated in BVI)
Excel China Group Limited (Incorporated in HK)
Shimao Management (Overseas) Limited (Incorporated in BVI)
Significant Asset Group Limited (Incorporated in BVI)
Super Good Group Limited (Incorporated in BVI)
Excel Grand Group Limited (Incorporated in HK)
Super Matrix Holdings Limited (Incorporated in BVI)
Ample Fortune Investments Limited (Incorporated in HK)
Terimay Enterprises Limited (Incorporated in BVI)
Ever Whole Investments Limited (Incorporated in HK)
Topleigh Holdings Limited (Incorporated in BVI)
Faith Joy Investments Limited (Incorporated in HK)
Topwise Limited (Incorporated in HK)
True Excel Limited (Incorporated in BVI)
50%
Straits Construction Investment (Holdings) Limited (Incorporated in BVI)
Unique Choice Investments Limited (Incorporated in BVI)
Vast Gold Group Limited (Incorporated in HK)
Whole Grace Enterprises Limited (Incorporated in BVI)
Full Range International Limited (Incorporated in HK)
Widely Known Limited (Incorporated in BVI)
Top Grand International Enterprise Limited (Incorporated in HK)
Win Real Group Limited (Incorporated in BVI)
Grandday International Limited (Incorporated in HK)
Wise Atlantic Holdings Limited (Incorporated in BVI)
Wise Plenty Investments Limited (Incorporated in BVI)
Urban Origin International Limited (Incorporated in HK)
Year Joy Holdings Limited (Incorporated in BVI)
Port Media Limited (Incorporated in HK)
Fine Sharp Investments Limited (Incorporated in BVI)
Profit Forest Investments Limited (Incorporated in HK) Note 30
Fine Union Group Limited (Incorporated in BVI)
Rise Max International Limited (Incorporated in HK) Note 31
Profun Group Limited (Incorporated in BVI)
Excel Mode Investments Limited (Incorporated in HK) Note 32
Proven Earn Holdings Limited (Incorporated in BVI)
Daily Right Holdings Limited (Incorporated in HK) Note 33
Talenta Group Limited (Incorporated in BVI)
Future Right Limited (Incorporated in HK) Note 34
Tiger Go Group Limited (Incorporated in BVI)
Lion Land Investments Limited (Incorporated in HK) Note 35
Top Roof International Limited (Incorporated in BVI)
Orient Rise Investments Limited (Incorporated in HK) Note 36
Upper Aim International Limited (Incorporated in BVI)
New Sincere Investments Limited (Incorporated in HK) Note 37
Able Power Enterprises Limited (Incorporated in BVI)
Nice Excel Investments Limited (Incorporated in HK)
Charm Sum Enterprises Limited (Incorporated in BVI)
Happy Light Group Limited (Incorporated in HK)
Favor Rich International Limited (Incorporated in BVI)
Real Fine International Limited (Incorporated in HK)
Gain Come Group Limited (Incorporated in BVI)
Proteam Investments Limited (Incorporated in HK)
Lead Win Enterprises Limited (Incorporated in BVI)
Marvel View Holdings Limited (Incorporated in HK)
Max Start International Limited (Incorporated in BVI)
Rich First Group Limited (Incorporated in HK)
New Fine International Limited (Incorporated in BVI)
Pine Sun Limited (Incorporated in HK)
Rocket High Group Limited (Incorporated in BVI)
Rich Excel Investments Limited (Incorporated in HK)
Running Panda Limited (Incorporated in BVI)
True Sky Holdings Limited (Incorporated in HK)
Smart Sea Group Limited (Incorporated in BVI)
Real Reach Investments Limited (Incorporated in HK)
Surenew Group Limited (Incorporated in BVI)
Uptime Investments Limited (Incorporated in HK)
Turbo Up Holdings Limited (Incorporated in BVI)
Grace Rise Investments Limited (Incorporated in HK)
World Known International Limited (Incorporated in BVI)
Royal Well International Limited (Incorporated in HK)
Genius Astor Limited (Incorporated in BVI)
Summer Sky Investments Limited (Incorporated in HK)
Shanghai Talent Limited (Incorporated in HK)
Shanghai Shimao Investment Management and Consultancy (HK) Limited (Incorporated in HK)
Precise Future Limited (Incorporated in HK)
Shimao Travel Limited (Incorporated in BVI)

Notes:

The table below sets forth the interest in each project held by the relevant company (including our subsidiaries and associated companies):

Note	Project company	Interest held by direct holding company	Project held
1	Shaoxing Shimao New City Real Estate Development Co., Ltd. (紹興世茂新城房地產開發有限公司)	80%	Shaoxing Shimao Dear Town
1	Shaoxing Shimao New Property Development Co., Ltd. (紹興世茂新置業發展有限公司)	80%	Shaoxing Shimao Dear Town
1	Shaoxing Shimao Property Co., Ltd. (紹興世茂置業有限公司)	80%	Shaoxing Shimao Dear Town
1	Xuzhou Shimao New City Real Estate Development Co., Ltd. (徐州世茂新城房地產開發有限公司)	60%	Xuzhou Shimao Dongdo
2	Ningbo Shimao New Era Property Co., Ltd. (寧波世茂新紀元置業有限公司)	100%	Ningbo Beilun Chunxiao Project
2	Shanghai Shimao International Plaza Co., Ltd. (上海世茂國際廣場有限責任公司)	100%	Shanghai Shimao International Plaza and Le Royal Méridien Shanghai
3	Shanghai Shimao North Bund Development and Construction Co., Ltd. (上海世茂北外灘開發建設有限公司)	34.5%	Hyatt On the Bund Shanghai
4	Suzhou Shimao Property Co., Ltd. (蘇州世茂置業有限公司)	100%	Suzhou Shimao Canal Scene
5	Changzhou Shimao Real Estate Development Co., Ltd. (常州世茂房地產有限公司)	100%	Changzhou Shimao Champagne Lakeside Garden
6	Harbin Shimao Riviera New City Development and Construction Co., Ltd (哈爾濱世茂濱江新城開發建設有限公司)	100%	Harbin Shimao Riviera New City
6	Chengdu Shimao Property Development Co., Ltd. (成都世茂房地產開發有限公司)	100%	Chengdu Meng Zhui Wan RBD Project
7	Hangzhou Shimao Shiying Property Development Co., Ltd. (杭州世茂世盈房地產開發有限公司)	100%	Hangzhou Shimao Jiangbin I & II
8	Hai Shu Property Development (Hangzhou) Co., Ltd. (海墅房地產開發(杭州)有限公司)	100%	Hangzhou Shimao Jiangbin I & II
9	Beijing Pengli Garden Real Estate Development Co., Ltd. (北京鵬麗花園房地產發展有限公司)	100%	Beijing Shimao Royal Garden
10	Guangzhou Lihe Property Development Company Limited** (廣州利合房地產開發有限公司)	14%	Asian Games City Project
11	Shanghai Shimao North Bund Development and Construction Co., Ltd. (上海世茂北外灘開發建設有限公司)	65.5%	Hyatt On the Bund Shanghai
12	Xianyang Shimao Real Estate Development Co., Ltd. (咸陽世茂房地產開發有限公司)	70%	Xianyang Shimao Urban Complex
13	Taizhou Shimao New City Real Estate Development Co., Ltd. (泰州世茂新城房地產開發有限公司)	100%	Taizhou Shimao Riverside Garden
14	Beijing Shimao Investment and Development Co., Ltd. (北京世茂投資發展有限公司)	97.4%	Beijing Shimao Olive Garden

Note	Project company	Interest held by direct holding company	Project held
15	Fujian Shimao Investment and Development Co., Ltd. (福建世茂投資發展有限公司)	50%	Fuzhou Shimao Bund Garden
15	Nanjing Shimao Real Estate Development Co., Ltd. (南京世茂房地產開發有限公司)	50%	Nanjing Shimao Bund New City
16	Ningbo Shimao New Development Property Co., Ltd. (寧波世茂新發展置業有限公司)	100%	Ningbo Shimao World Gulf
16	Ningbo Shimao Real Estate Development Co., Ltd. (寧波世茂房地產開發有限公司)	74.69%	Ningbo Shimao World Gulf
17	Mudanjiang Shimao New City Real Estate Development Co., Ltd. (牡丹江世茂新城房地產開發有限公司)	100%	Mudanjiang Shimao Jiangnan Project
18	Xianyang Shimao Real Estate Development Co., Ltd. (咸陽世茂房地產開發有限公司)	30%	Xianyang Shimao Urban Complex
19	Kunshan Shimao New Development Property Co., Ltd. (昆山世茂新發展置業有限公司)	100%	Kunshan Shimao East No. 1 New City and Kunshan Shimao International City
20	Dalian Shimao Longhe Development Co., Ltd. (大連世茂龍河發展有限公司)	17.15%	Dalian Lvshunkou Shimao Project
21	Shanghai Shimao Villas Property Co., Ltd. (上海世茂莊園置業有限公司)	100%	Shanghai Shimao Sheshan Villas and Le Méridien Sheshan Shanghai
22	Dalian Shimao Carnival Property Co., Ltd. (大連世茂嘉年華置業有限公司)	50%	Dalian Jinzhou Shimao Carnival I
22	Kunshan Shimao Butterfly Bay Development and Construction Co., Ltd. (昆山世茂蝶湖灣開發建設有限公司)	100%	Kunshan Shimao Butterfly Bay
22	Shaoxing Shimao New City Real Estate Development Co., Ltd. (紹興世茂新城房地產開發有限公司)	20%	Shaoxing Shimao Dear Town
22	Shaoxing Shimao New Property Development Co., Ltd. (紹興世茂新置業發展有限公司)	20%	Shaoxing Shimao Dear Town
22	Shaoxing Shimao Property Co., Ltd. (紹興世茂置業有限公司)	20%	Shaoxing Shimao Dear Town
22	Wuhan Shimao Splendid River Estate Development Co., Ltd. (武漢世茂錦繡長江房地產開發有限公司)	70.01%	Wuhan Shimao Splendid River
22	Wuhu Shimao Real Estate Development Co., Ltd. (蕪湖世茂房地產開發有限公司)	100%	Wuhu Shimao Riviera Garden
22	Xuzhou Shimao New City Real Estate Development Co., Ltd. (徐州世茂新城房地產開發有限公司)	40%	Xuzhou Shimao Dongdo
23	Jiaxing Shimao New City Real Estate Development Co., Ltd. (嘉興世茂新城房地產開發有限公司)	100%	Jiaxing Shimao New City
24	Changshu Shimao Real Estate Development Co., Ltd. (常熟世茂房地產開發有限公司)	100%	Changshu Shimao The Center
25	Wuhan Shimao Splendid River Estate Development Co., Ltd. (武漢世茂錦繡長江房地產開發有限公司)	29.99%	Wuhan Shimao Splendid River
26	Fuzhou Shimao New City Real Estate Development Co., Ltd. (福州世茂新城房地產開發有限公司)	100%	Fuzhou Shimao Skyscrapers

Note	Project company	Interest held by direct holding company	Project held
26	Fujian Shimao Property Co., Ltd. (福建世茂置業有限公司)	100%	Xiamen Shimao Riverside Capital Project
27	Qingdao Shimao New City Real Estate Development Co., Ltd. (青島世茂新城房地產開發有限公司)	50%	Qingdao National High-tech Development Zone Project
28	Hangzhou Shimao New Prospect Property Co., Ltd. (杭州世茂新里程置業有限公司)	100%	Hangzhou Shimao Yuhang Project
28	Hangzhou Shimao Property Co., Ltd. (杭州世茂置業有限公司)	100%	Hangzhou Shimao Riviera Garden
29	Beijing Shimao Investment and Development Co., Ltd. (北京世茂投資發展有限公司)	2.6%	Beijing Shimao Olive Garden
29	Changsha Shimao Property Co., Ltd. (長沙世茂房地產有限公司)	100%	Changsha Project
29	Changsha Shimao New Property Co., Ltd. (長沙世茂置業有有限公司)	100%	Changsha Project
29	Chengdu Shimao Property Co., Ltd. (成都世茂置業有限公司)	95%	Chengdu Longquanyi Project
29	Chengdu Shimao New City Real Estate Development Co., Ltd. (成都世茂新城房地產開發有限公司)	60%	Chengdu Longquanyi Project
29	Chengdu Shimao Investment Co., Ltd. (成都世茂投資有限公司)	80%	Chengdu Longquanyi Project
29	Dalian Shimao Carnival Property Co., Ltd. (大連世茂嘉年華置業有限公司)	50%	Dalian Jinzhou Shimao Carnival I
29	Dalian Shimao Longhe Development Co., Ltd. (大連世茂龍河發展有限公司)	51.46%	Dalian Lvshunkou Shimao Project
29	Dalian Shimao New Era Property Co., Ltd. (大連世茂新紀元置業有限公司)	100%	Dalian Jinzhou Shimao Carnival II
29	Fujian Shimao New Prospect Real Estate Development Co., Ltd. (福建世茂新里程房地產開發有限公司)	49%	Xiamen Coastal Shimao Project
29	Nanchang Shimao New Development Property Co., Ltd. (南昌世茂新發展置業有限公司)	100%	Nanchang Project
29	Huizhou Fumao Property Development Co., Ltd. (惠州富茂房地產開發有限公司)	50%	Huizhou Fumao Project
29	Ningbo Shimao New City Real Estate Development Co., Ltd. (寧波世茂新城房地產開發有限公司)	100%	Ningbo Beilun Chunxiao Project
29	Ningbo Shimao Real Estate Development Co., Ltd. (寧波世茂房地產開發有限公司)	25.31%	Ningbo Shimao World Gulf
29	Qingdao Shimao New City Real Estate Development Co., Ltd. (青島世茂新城房地產開發有限公司)	50%	Qingdao National High-tech Development Zone Project
29	Shanghai Bicheng Real Estate Co., Ltd. (上海碧橙房地產有限公司)	100%	Shanghai Shimao Emme County
29	Shanghai Shimao Jianshe Co., Ltd.** (上海世茂建設有限公司)	100%	Asian Games City Project
29	Shanghai Shimao Real Estate Co., Ltd. (上海世茂房地產有限公司)	100%	Shanghai Shimao Riviera Garden

Note	Project company	Interest held by direct holding company	Project held
29	Tianjin Eco-City Shimao New City Investment and Development Co., Ltd. (天津生態城世茂新城投資開發有限公司)	75%	Tianjin Shimao Ecology City
29	Tianjin Shimao New Prospect Property Co., Ltd. (天津世茂新里程置業有限公司)	100%	Tianjin Shimao Ecology City
29	Wuhan Shimao Carnival Property Co., Ltd. (武漢世茂嘉年華置業有限公司)	49%	Wuhan Shimao Carnival
29	Wuhan Shimao New City Real Estate Development Co., Ltd. (武漢世茂新城房地產開發有限公司)	100%	Wuhan Shimao Carnival
29	Wuxi Shimao New Development Property Co., Ltd. (無錫世茂新發展置業有限公司)	24%	Wuxi Transport Shimao Project
29	Wuxi Shimao Real Estate Development and Construction Co., Ltd. (無錫世茂房地產開發建設有限公司)	95%	Wuxi Transport Shimao Project
30	Xuzhou Shimao New Era Real Estate Development Co., Ltd. (徐州世茂新紀元房地產開發有限公司)	100%	Xuzhou Shimao Dongdo
31	Taizhou Shimao New Development Property Co., Ltd. (泰州世茂新發展置業有限公司)	100%	Taizhou Shimao Riverside Garden
32	Fuzhou Shimao Property Co., Ltd. (福州世茂置業有限公司)	100%	Fuzhou Shimao Skyscrapers
33	Shenyang Shimao New Era Property Co., Ltd. (瀋陽世茂新紀元置業有限公司)	100%	Shenyang Shimao Wulihe
34	Yantai Shimao Property Co., Ltd. (煙臺世茂置業有限公司)	100%	Yantai Shimao No.1 The Harbour
35	Jiaxing Shimao New Prospect Property Co., Ltd. (嘉興世茂新里程置業有限公司)	100%	Jiaxing Shimao New City
36	Wuhu Shimao New Century Property Co., Ltd. (蕪湖世茂新世紀置業有限公司)	100%	Wuhu Shimao Riviera Garden
37	Mudanjiang Shimao Property Co., Ltd. (牡丹江世茂置業有限公司)	95%	Mudanjiang Shimao Beishan Project
38	Beijing Fortune Times Property Co., Ltd. (北京財富時代置業有限公司)	100%	Beijing Shimao Gongsan Plaza
38	Changshu Shimao New Development Property Co., Ltd. (常熟世茂新發展置業有限公司)	100%	Changshu Shimao The Center
38	Changzhou Shimao New City Real Estate Development Co., Ltd. (常州世茂新城房地產開發有限公司)	100%	Changzhou Shimao Champagne Lakeside Garden
38	Fujian Shimao Investment and Development Co., Ltd. (福建世茂投資發展有限公司)	50%	Fuzhou Shimao Bund Garden
38	Fujian Shimao New Prospect Real Estate Development Co., Ltd. (福建世茂新里程房地產開發有限公司)	51%	Xiamen Coastal Shimao Project
38	Hangzhou Shimao Century Property Co., Ltd. (杭州世茂世紀置業有限公司)	100%	Hangzhou Shimao Xiasha Commercial Project
38	Jiaxing Shimao New Century Property Co., Ltd. (嘉興世茂新世紀置業有限公司)	100%	Jiaxing Shimao New City
38	Kunshan Shimao East China Mall Development Co., Ltd. (昆山世茂華東商城開發有限公司)	100%	Kunshan Shimao Plaza

Note	Project company	Interest held by direct holding company	Project held
38	Kunshan Shimao Real Estate Development Co., Ltd. (昆山世茂房地產開發有限公司)	100%	Kunshan Shimao East No. 1 New City and Kunshan Shimao International City
38	Nanjing Shimao Real Estate Development Co., Ltd. (南京世茂房地產開發有限公司)	50%	Nanjing Shimao Bund New City
38	Qingdao Shiao Investment and Development Co., Ltd. (青島世奧投資發展有限公司)	75%	Qingdao Shi'ao Tower
38	Shanghai Shimao Wonderland Property Co., Ltd. (上海世茂新體驗置業有限公司)	100%	Beijing Shimao Tower and Shanghai Shimao Wonderland
38	Shaoxing Shimao New Century Property Co., Ltd. (紹興世茂新世紀置業有限公司)	100%	Shaoxing Shimao Dear Town
38	Shaoxing Shimao New Era Property Co., Ltd. (紹興世茂新紀元置業有限公司)	100%	Shaoxing Shimao Dear Town
38	Suzhou Shimao Investment and Development Co., Ltd. (蘇州世茂投資發展有限公司)	100%	Suzhou Shimao Canal Scene
38	Wuhan Shimao Carnival Property Co., Ltd. (武漢世茂嘉年華置業有限公司)	51%	Wuhan Shimao Carnival
38	Wuxi Shimao New Development Property Co., Ltd. (無錫世茂新發展置業有限公司)	25%	Wuxi Transport Shimao Project
38	Xuzhou Shimao Property Co., Ltd. (徐州世茂置業有限公司)	100%	Xuzhou Shimao Dongdo
39	Dalian Shimao Longhe Development Co., Ltd. (大連世茂龍河發展有限公司)	31.39%	Dalian Lvshunkou Shimao Project
40	Shenyang Shimao New Development Property Co., Ltd. (瀋陽世茂新發展置業有限公司)	100%	Shenyang Shimao Wulihe
41	World Rich Group Limited, Lead Bright Investments Limited, Modern Way Holdings Limited, Mount Profit Investments Limited and Whole New Limited are JV Subsidiary Guarantors under and as defined in the 2010 Notes.		

** We agreed to acquire a 20% equity interest in Guangzhou Lihe Property Development Company Limited under certain equity transfer agreements entered into with other four joint venture partners, dated as of June 24, 2010. Upon completion of the equity transfer agreements, Billion Pier Investments Limited and Shanghai Shimao Jianshe Co., Ltd. will hold 14% and 6%, respectively, of the equity interest in Guangzhou Lihe Property Development Company Limited. For additional information, see "Business — Asian Games City Project."

Overview

We are a large-scale developer and owner of high quality real estate projects in China. We specialize in developing mid to high-end residential, retail and office properties for sale and also attractive and well-located hotel, retail and office properties for long term investment holding purposes. We have a track record of successfully bringing to market real estate projects in Shanghai, Beijing, Hangzhou, Suzhou, Nanjing, Fuzhou and other fast growing cities in China. We believe that this track record, together with the strong recognition of our "Shimao" brand name, positions us well as we continue to create and market our real estate projects in cities throughout China. We aim to continue to grow as a leading property developer and investor with a national presence in China's key cities and economic regions by continuing to enhance our "Shimao" brand name, create innovative products and develop market-leading properties, pursue property diversification and increase our proportion of investment properties and hotels to achieve a balanced revenue profile and expand our business operations and land bank in a disciplined manner.

As of June 30, 2010, we had a total of 52 projects at various stages of development across 29 cities located in the Yangtze River Delta Region, Bohai Rim Region, West Coast of the Taiwan Strait and other regions of rapid economic growth. As of June 30, 2010, we had a land bank with an estimated total GFA attributable to us of approximately 31.1 million sq.m., including completed properties unsold or held for investment with an aggregate GFA attributable to us of approximately 1.2 million sq.m., properties under development with an aggregate planned GFA attributable to us of approximately 6.8 million sq.m. and properties held for future development with an aggregate planned GFA attributable to us of approximately 23.1 million sq.m. As of June 30, 2010, our projects held for future development included an aggregate planned GFA attributable to us of approximately 8.4 million sq.m. for which we have not obtained land use rights certificates but have entered into land grant contracts or obtained land grant confirmation letters and are in the process of applying for the relevant land use rights. Our average land cost for our land bank reserve as of June 30, 2010 was approximately RMB1,496 per sq.m. We believe our relatively low cost of land will enable us to continue to achieve a high profit margin in the future.

In addition, we have acquired certain parcels of land, including those for projects we develop with our joint venture partners with an aggregate planned GFA of approximately 7.1 million sq.m. (excluding the Asian Games City Project) subsequent to June 30, 2010, of which approximately 3.5 million sq.m. (excluding the Asian Games City Project) was attributable to us and for which we have not obtained land use rights certificates but have entered into land grant contracts or obtained land grant confirmation letters and are in the process of applying for the relevant land use rights. These parcels of land include development sites in Tianjin, Huizhou, Fuzhou, Changsha and Chengdu. See "Business — Recent Developments." We also have a minority interest in the Asian Games JV for the development of the Asian Games City Project. See "Business — Asian Games City Project."

Our business portfolio comprises high quality residential, retail and office properties developed for sale and also high-end hotel, retail and office properties held for long term investment purposes, which include, among others, Le Royal Méridien and its retail podium, Shanghai Shimao International Plaza, Hyatt on the Bund Shanghai, Shanghai Le Méridien Sheshan, Beijing Shimao Tower as well as Holiday Inn Mudanjiang. For the year ended December 31, 2009, we generated 95.0% of our revenue from the sale of properties and 5.0% of our revenue from our hotel operations and the leasing of our investment properties. For the six month period ended June 30, 2010, we generated 93.9% of our revenue from the sale of properties and 6.1% of our revenue from our hotel operations, leasing of our investment properties and other operations.

We believe our past success is in part due to our well-developed knowledge of the socio-economic policies and development trends in China. We have been able to identify high growth markets such as Beijing, Shanghai, Yangtze River Delta Region and Bohai Rim Region and have entered these markets in a timely manner. We believe that this has, in turn, allowed us to obtain land at prime locations (or locations that we expect will become prime) at a reasonable cost. Going forward, we intend to continue to increase our land bank reserve in a prudent and strategic manner. In particular, we intend to expand our presence in second- or third-tier cities which we believe have great growth potentials.

For the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our revenue was RMB9,275.9 million, RMB7,196.3 million, RMB17,032.1 million (US$2,511.6 million) and RMB10,024.5 million (US$1,478.2 million), respectively, and the profits attributable to equity holders of our Company was RMB4,091.8 million, RMB841.2 million, RMB3,511.2 million (US$517.8 million) and RMB2,109.8 million (US$311.1 million), respectively.

Our Strengths

Significant land reserves providing long-term development and growth opportunities

We have successfully accumulated large areas of land for future development. As of June 30, 2010, we had a land bank with an estimated total GFA attributable to us of approximately 31.1 million sq.m., including completed properties unsold or held for investment with an aggregate GFA attributable to us of approximately 1.2 million sq.m., properties under development with an aggregate planned GFA attributable to us of approximately 6.8 million sq.m. and properties held for future development with an aggregate planned GFA attributable to us of approximately 23.1 million sq.m. As of June 30, 2010, our projects held for future development included an aggregate planned GFA of approximately 8.4 million sq.m. for which we have not obtained land use rights certificates but have entered into land grant contracts or obtained land grant confirmation letters and are in the process of applying for relevant land use rights. In addition, we have acquired certain parcels of land , including those for projects we develop with our joint venture partners, with an aggregate planned GFA of approximately 7.1 million sq.m. (excluding the Asian Games City Project) subsequent to June 30, 2010, of which approximately 3.5 million sq.m. (excluding the Asian Games City Project) was attributable to us and for which we have not obtained land use rights certificates but have entered into land grant contracts or obtained land grant confirmation letters and are in the process of applying for the relevant land use rights. We also have a minority interest in the Asian Games JV for the development of the Asian Games City Project. See “Business — Asian Games City Project.”

We believe that our market foresight and in-depth understanding of property market dynamics, arising out of the collective experience of our management team, have enabled us to seek and capitalize on land acquisition opportunities at relatively early stages of their long-term appreciation potential. We believe this allows us to achieve attractive unit land costs relative to the current market values for our property projects, therefore mitigating our financial risk relating to the development of our projects. The average land cost of our land bank as of June 30, 2010 was RMB1,496 per sq.m. Our strategy is to actively acquire land in the Yangtze River Delta Region, Bohai Bay Region, West Coast of the Taiwan Strait and other regions/cities with relatively strong economic growth. Our recently acquired parcels of land in 2010 are mainly located in second-tier provincial cities with solid economic foundation and strong development potential, and where the real estate market has not yet reached saturation, such as Hangzhou, Xiamen, Wuxi, Dalian, Qingdao, Wuhan, Chengdu and Fuzhou.

Most of the land we have acquired is situated at prime locations. As such, we believe these land reserves provide our Group with an attractive project development pipeline in the coming years.

Large-scale and integrated development projects

We take a large-scale and integrated approach to property development. When developing residential properties, we also build hotels, commercial and leisure facilities and landscape gardens that are not only valuable in themselves but which in turn increase the selling price of the related residential properties and also enhance the development of their overall localities through a positive physical transformation. When developing our hotels, we build not only large-scale hotels with sizeable room counts fitted out with quality amenities, we also create diverse and high quality dining, entertainment, fitness, leisure, business and corporate events facilities which broaden the customer appeal and revenue base of the hotels. By developing both residential and non-residential properties in the same location, we believe we help create new urban centers. We believe that this large scale and integrated approach not only allows us to create property developments of significant size and value but also helps us in our discussions with local government as regards acquiring land and obtaining infrastructure and other support for our projects.

We believe that few developers in China have the resources and experience to develop large parcels of land comprising residential, commercial and hotel properties in the same location. Each of our projects on average has a planned GFA of approximately 0.8 million sq.m. We therefore have a strong negotiating position when dealing with contractors and materials suppliers. Finally, developing large-scale projects also enables us to better leverage our highly experienced project management team.

Valuable and well-recognized brand name associated with high quality real estate projects

We believe that we have established a strong brand name in China's property market through our track record of bringing large-scale, high quality real estate projects in various cities in China to market.

Our philosophy is to develop properties that are high quality in terms of both their design and construction. To achieve high quality in design, we engage internationally-known architects and designers to create innovative and differentiated properties. To achieve high quality in construction, we use premium materials and fittings in the construction and furnishing of our properties, and closely scrutinize the work of our chosen contractors. We believe our focus on quality has enabled us not only to differentiate our properties and achieve favorable sales and rental prices, but more importantly to associate the "Shimao" brand with prestige, high quality real estate projects and customer satisfaction.

The strength of our brand is evidenced by the many industry awards we have won. We have received numerous accolades for our quality property projects and strong after-sales support and property management services. Our acclaimed flagship project, Shanghai Shimao Riviera Garden, ranked first in terms of sale proceeds among residential developments in Shanghai for four consecutive years from 2001 to 2004. We also received the "Elite Residence Technology Award 2004 — Gold Interior Design Award for Boutique" (精瑞住宅科學技術獎(2004年):成品住宅室內裝修金獎), which was jointly awarded by authorities including the PRC State Construction Department. In addition, our "Shimao" brand won a "China Super Brand" (中國超級品牌) award in 2004, and a "Respected Real Estate Enterprise in Shanghai" (令人尊敬的上海房地產企業) award in 2005. In 2009, we were ranked No. 1 among the "2009 Top Ten Foreign-Invested Real Estate Enterprises in China" by State Council Development Research Center of Enterprise Institute, Tsinghua University Real Estate Institute and the Institute of Housing Index. We were also ranked among the "Top 100 Star Enterprises of Overseas Chinese in China" from 2006 to 2008 by the Office of the Overseas Chinese Affairs of the State Council of the PRC. In addition, we also received awards including "Hurun Most Valuable Chinese Brands" and "Hurun Corporate Social Responsibility Top 50" by Hurun Report in 2009 and 2010. We believe our "Shimao" brand is of tremendous value to us as we expand our business and geographic reach in cities and regions throughout China.

Diversified product range and growing portfolio of properties held for long-term investment purposes

We believe that product selection and positioning are crucial to our success. We have carefully expanded our business model beyond the development and sale of residential properties to include the development of hotels, retail and office properties, which are held for sale or for long term investment purposes. By diversifying our product portfolio in this manner, we aim to not only reduce our dependence on the residential property sector, but also to enhance the stability of our long term investment revenue streams by increasing the portion of our earnings and cashflow from recurring hotel and rental income.

To date, we have completed and commenced operations at Shanghai Le Méridien Sheshan, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai and Holiday Inn Mudanjiang, which together had approximately 2,000 guest rooms as of June 30, 2010. We have established long-term strategic relationships with internationally renowned hotel groups to operate and manage our hotels. Apart from hotels, we have also launched our self-operated "S-Suites" brand serviced apartments in 2009.

In 2009, we completed the injection of our commercial projects and commercial properties into Shanghai Shimao and acquired a 64.2% equity interest in Shanghai Shimao. Through this reorganization, Shanghai Shimao became our commercial property development vehicle. As of the date of this document, Shanghai Shimao has established long-term and stable relationships with over 380 business partners. Shanghai Shimao had a land bank reserve of approximately 8.2 million sq.m. as of June 30, 2010, which we believe is the largest land bank reserve for commercial usage among all listed property developers in China.

The product portfolio of Shanghai Shimao includes Shimao Department Store and Shimao International Studio. Currently, Shimao Department Stores in Fuzhou, Shenyang and Shaoxing have commenced operations and Shimao Department Stores in Yantai, Wuhu and Beijing will commence operations in the next two years. We plan to construct 15 Shimao International Studios in three years with 100 new cinema screens and 40 studios with 300 new cinema screens in five years.

We believe as a result of our diversified product portfolio and our increasing focus on investment properties, we are less susceptible to fluctuations in any single property market segment in the PRC.

Access to multiple sources of capital

We have well-established relationships with many leading banks in China as well as major international financial institutions, which provide us with multiple financing channels to fund our business operations. Our major lending PRC banks include three of the four largest state-controlled national banks, namely China Construction Bank, Agriculture Bank of China and Industrial and Commercial Bank of China. To diversify our financing sources and secure sufficient working capital, we also obtained further funding by accessing the international capital markets. Since our initial public offering and listing of shares on the Hong Kong Stock Exchange in 2006, we have engaged in various capital raising transactions, including the 2006 Notes with proceeds of US$600 million, a top-up placing of our shares with proceeds of HK$3,906 million in 2007, the 2007 Syndicated Loan Facility with proceeds of US$328 million, the 2008 Short Term Notes with proceeds of US$300 million, a top-up placing of our shares with proceeds of HK$1,961 million in 2009, the 2010 Syndicated Loan Facilities with proceeds of US$440 million and HK$156 million, the 2010 Notes with proceeds of US$500 million, a 2010 revolving facility with proceeds of HK$827 million and 2010 term loan facility with proceeds of HK$408 million. We have repaid the 2007 Syndicated Loan Facility and the 2008 Short Term Notes. After we acquired an additional equity interest in Shanghai Shimao, a company listed on the Shanghai Stock Exchange, in 2009, Shanghai Shimao became our subsidiary, affording us access to the A-share market in the PRC. In addition, we currently have multiple offshore credit facilities for various purposes, such as financing property development, refinancing our existing indebtedness or for general corporate purposes. We believe that our ability to access global capital markets provides us with flexibility to fund our operations and enhance our liquidity position. In addition, we use working capital efficiently through well-delineated fund deployment among residential property development, commercial property development and hotel development and operations. We believe that our ability to efficiently manage capital enables us to optimize our asset turnover.

Strong relationships with international business and real estate industry partners

We have entered into long term management agreements with the Starwood Group to manage the Shanghai Le Méridien Sheshan and the Le Royal Méridien Shanghai, which opened in November 2005 and September 2006, respectively. We have also entered into similar agreements with the Hyatt Group to manage the Shanghai Hyatt on the Bund, which we opened in 2007, the Intercontinental Group to manage the Holiday Inn Mudanjiang, which we opened in October 2010 and Intercontinental Group and Hilton Group for hotels that we plan to open in the next few years. We believe the management of our hotels by such world renowned hotel groups significantly enhances the profile and prospects of our hotel properties among our target customers, including international and domestic travelers.

Various domestic and international retailers have also entered into strategic cooperation agreements with us and have agreed to lease a portion of our existing and future retail properties. Our strategic retail partners include Parkson, McDonalds, Starbucks, B&Q, Auchan, Warner Brothers, Decathlon, Watsons, Haoledi, Esprit, Salon Esprit, Clarks, Mister Donut and Skap. We believe that our ability to enter into strategic cooperation agreements with these domestic and international retailers prior to the completion of the relevant retail properties will allow us to obtain a higher occupancy rate upon their respective opening. Through this approach we intend not only to enhance our financial stability and the profile and attractiveness of our retail properties but also to improve the marketability and prospects of our residential properties and hotels which are developed in conjunction with such retail properties.

We have established strong working relationships with different suppliers and consultants, including RMJM Hong Kong Limited, Parsons Brinckerhoff China (柏誠中國), Earthasia (International) Ltd

(泛亞國際), Widnell Ltd (偉歷信建築工料測量師事務所有限公司), L&A Urban Planning and Landscape Design (Canada) Ltd, Davis Langdon & Seah China Limited, Atkins China, Valode & Pistre Architectes and Wang & Tung International Limited (王董國際有限公司). We believe our collaboration with such suppliers and international architectural and design consultants have enabled us to attain a consistent standard of high quality in the design and construction of our property projects.

In recent years, we have partnered with various large PRC property developers, including Longfor, COLI, Agile, R & F and KWG, to develop certain projects in Guangzhou, Dalian, Hangzhou and Tianjin. We believe that, with the support and contribution of these property developers, we will further enhance our financial and operational management capabilities and practices, strengthen our overall risk control and management systems and achieve stable long term development.

We believe that stable, long-term collaborative relationships with these partners enhances not only the attractiveness of our property developments and investments, but also our long-term prospects as we continue to develop and expand our business and our "Shimao" brand in China.

Seasoned management team with strong track record

Our Chairman, Mr. Hui Wing Mau, has over 20 years of experience in property development and investment throughout China, and is a respected leading figure within a number of real estate industry bodies. Our management team consists of experienced professionals, some of whom have received internationally recognized qualifications, and have extensive experience in the development, sales and management of real estate projects not only in major Chinese cities such as Shanghai and Beijing but also overseas.

We believe that by employing and retaining individuals from domestic as well as overseas backgrounds, we have been able to capitalize on their collective expertise in both the local and international property markets, and selectively apply different ideas, concepts and practices such that we can develop and sell properties that appeal to both domestic as well as overseas customers.

We adopt a flat management structure, which enables our management team to make decisions quickly and efficiently. This in turn leads to effective project management which enables us to shorten our project development timeframe, improve capital efficiency and manage our financial risks at the same time.

Our Strategies

We aim to continue to grow as a leading property developer and investor with a national presence in key cities and economic regions in China. We have developed the following business strategies to pursue our growth objectives:

Continue to enhance our "Shimao" brand name

We intend to continue to promote the "Shimao" brand by continuing to focus on quality and innovation in our property projects, and providing the purchasers of our properties with strong after-sales support and property management services. We will continue to pursue innovation within each of the residential, hotel, retail and office property sectors. For example, we plan to develop hotels and shopping complexes with themed gardens, low-density commercial zones and office buildings in a landscaped environment, as well as scenic residential, leisure and tourism zones. In this respect, we will continue to collaborate with international architects and designers to create market-leading projects that are unique and distinctive. We believe that innovation will provide us with a competitive advantage by differentiating our products and services from those of our competitors, and by providing a unique experience to our customers.

We will also continue to develop attractive and well-located hotels, retail and office properties that create value for our hotel management partners, business partners, tenants and end customers. We believe that delivering value to our customers and enhancing their overall satisfaction with our products will enable us to strengthen our "Shimao" brand further, and reinforce its association with prestige and quality. At the same time, we intend to continue to build market recognition of the "Shimao" brand through marketing initiatives such as advertising campaigns, participation in international property exhibitions and the establishment of customer loyalty clubs that aim to generate incremental sales through customer referrals.

Continue to pursue product diversification and increase our proportion of investment properties and hotels to achieve a balanced revenue profile

We intend to continue to expand into the hotel, retail and office property sectors in the PRC to diversify our sources of future revenue. At the same time, we aim to continue to increase our proportion of properties held for investment, so as to achieve greater revenue stability through recurrent hotel and rental income. We believe that such diversification measures will increase the breadth and stability of our revenue streams by reducing our overall exposure to volatility within any one property sector, in particular the volatile residential property sector.

In relation to hotels, we plan to focus on developing luxury hotels to be operated by renowned international hotel management groups. We have entered into management contracts with the Hyatt, Starwood, Intercontinental and Hilton Groups with respect to a number of our hotels and we plan to enter into similar management contracts for some of our other hotels that are under development or for future development. We have also signed certain letters of intent with the Hilton Group with respect to some of our hotels under development or planning. In addition, we have established our own hotel management companies, S Hotels International Management Company Limited in Hong Kong and Shanghai S Hotels Management Company Limited in Shanghai in order to manage some of our other hotels under development or planning. For more details, please refer to the section entitled "Business — Our Hotels and Investment Properties — Hotels."

In relation to our retail and commercial properties, we intend to focus on developing high quality properties in central commercial areas in major cities. Due to the continuing economic growth in China, rental prices for retail and commercial properties have increased significantly in recent years and we believe this trend will continue. We intend to enter into long-term tenancy agreements with reputable anchor retail tenants for those retail and commercial properties that we hold for investment purposes in order to secure stable and recurring rental income streams.

Continue to expand our business operations and land bank in a disciplined manner

We intend to leverage our strong brand name and extensive experience to continue developing high quality properties in our chosen markets in China. In addition to the markets in which we already have a presence, we have identified the Yangtze River Delta Region, Bohai Rim Region and West Coast of the Taiwan Strait as the regions where we intend to continue to expand our operations. We believe that our brand and expertise in developing high quality properties coupled with high economic growth and government incentives in these regions will allow us to increase our profitability and brand recognition. As part of our expansion strategy, we intend to also increase our presence in second- and third-tier cities which we believe have great growth potential. We will continue our strategy of conducting in-depth market research and analysis with the aim of identifying property trends and potential development opportunities as early as possible in a given locality's potential development cycle. We will also continue to pursue opportunities that are large scale in nature, so as to continue to utilize our economies of scale in land acquisitions and construction costs.

We intend to continue to adopt a disciplined approach to land acquisition. We believe that purchasing land at prices that are low relative to the expected selling prices or capital values of the finished projects is a critical factor in managing financial risk and achieving superior profitability. We will make all decisions relating to land acquisitions based on thorough research and analysis of a given project's expected returns in the context of future property and economic trends in cities in China. By implementing these procedures, we seek to expand our land bank, while maintaining a system of financial controls and managing our costs through a detailed budget-planning process. Overall, we intend to continue to pursue a prudent and disciplined corporate strategy of steady and sustainable growth.

Promote environmental protection, energy-saving and low carbon emission in planning and design work

We believe that a low-carbon development strategy and construction of low-carbon communities are the social responsibility of the real estate industry, which will not only allow us to distinguish ourselves from our competitors and enhance our brand name and corporate image in the PRC, but also lead to sustainable development of our business.

We adhere to a "harmony in architecture and environment" development philosophy and are actively involved in developing and constructing environmentally friendly buildings. We are making this one of our new corporate development directions. For example, we are designing and developing the Tianjin Shimao Ecology City with an aim of making it our first ecological city and model project. We plan to apply advanced and innovative ecological technologies to this project with an aim of making it a role model for ecological architecture and zero-carbon life development in China. Going forward, we plan to incorporate such environmentally friendly concepts into our other projects to strengthen our public recognition. We believe such efforts will enable us to differentiate ourselves from our competitors, increase our product appeal and enhance the competitiveness of our business.

Continue to adopt prudent financial policy and proactive approach to capital structure

We plan to continue to closely monitor our capital and cash positions and carefully manage our land costs, construction costs, operating expenses and fixed charge coverage. For example, we strive to acquire our land reserves at relatively low costs and keep the average land costs for our properties for sale at no more than 30% of the then-prevailing market prices of what we believe are comparable properties. We believe that by adhering to prudent cost management we will be able to more efficiently use our working capital, which will help to maintain our profit margins.

We monitor our capital and indebtedness level by reviewing our net gearing ratio, which is equal to net borrowings (total borrowings subtracting cash and cash equivalents and restricted cash for our borrowings) divided by total equity. Our net gearing ratio as of June 30, 2010 was approximately 74.6%. Going forward, we plan to maintain a net gearing ratio of 50% to 60%.

We intend to continue to closely monitor the maturity profiles of our borrowings and manage the level of our liquid assets to ensure the availability of sufficient cash flows to service our indebtedness and meet cash requirements arising from our business. We will remain disciplined in our capital commitment and proactive in managing our capital structure to meet our ongoing capital requirements.

Recent Developments

Tianjin Jinnan Project

In August 2010, we entered into a joint venture agreement with KWG, Agile and R&F to develop the Tianjin Jinnan Project. We hold a 25% equity stake in the joint venture. The joint venture entered into a land grant contract with the relevant PRC land authority to acquire a parcel of land situated in Jinnan, Tianjin City. This parcel of land comprises a site area of approximately 1,289,226 sq.m. and a planned GFA of approximately 2,950,901 sq.m. The projects are expected to feature high-rise residential buildings, hotels and commercial property.

Huizhou Fumao Project

In May 2010, we established a joint venture company with R&F to develop the Huizhou Fumao Project. We hold a 50% stake in the project and R&F holds the other 50%. The joint venture acquires land in stages, and as of the date of this document, it has obtained a parcel of land with a total site area of approximately 1,190,909 sq.m. and a planned GFA of approximately 2,762,909 sq.m. in Huizhou City, Guangdong Province.

Fuzhou Minhou Project

In December 2010, we entered into a land grant confirmation letter with the relevant PRC land authority to acquire a parcel of land situated in Minhou, Fuzhou City, Fujian Province. This parcel of land comprises a site area of approximately 351,888 sq.m. and a planned GFA of approximately 880,000 sq.m. The development on this parcel of land is expected to be a high-rise residential buildings.

Chengdu Meng Zhui Wan Project

In December 2010, we entered into a land grant confirmation letter with the relevant PRC land authority to acquire a parcel of land situated in Chengdu, Sichuan Province. This parcel of land comprises a site area of approximately 62,752 sq.m. and a planned GFA of approximately 377,239 sq.m. The development on this parcel of land is expected to be a high-rise residential buildings.

Changsha Project

In January 2011, we entered into a land grant confirmation letter with the relevant PRC land authority to acquire a parcel of land situated in Changsha, Hunan Province. We hold an interest in the project through Shanghai Shimao, a subsidiary in which we have a 64.2% interest. This parcel of land comprises a site area of approximately 13,827 sq.m. and a planned GFA of approximately 170,000 sq.m. The project is expected to feature commercial and office property.

Overview of Our Projects

As of June 30, 2010, our portfolio of property development projects consisted of 52 projects under various stages of development in 29 cities across China, including Shanghai, Beijing, Nanjing, Kunshan, Changshu, Suzhou, Wuxi, Changzhou, Xuzhou, Taizhou, Hangzhou, Shaoxing, Jiaxing, Ningbo, Yantai, Qingdao, Tianjin, Dalian, Wuhan, Wuhu, Xianyang, Harbin, Shenyang, Chengdu, Mudanjiang, Fuzhou and Xiamen. We divide our property developments into three categories: (i) completed property developments; (ii) properties under development; and (iii) properties held for future development. As our projects typically comprise multiple-phase developments on a rolling basis, one project may include different phases that are at various stages of completion, under development or held for future development. As of June 30, 2010, we had, in terms of GFA attributable to us in our 52 projects, completed but unsold property developments of approximately 1.2 million sq.m., properties under development of approximately 6.8 million sq.m. and properties held for future development of approximately 23.1 million sq.m., which included an aggregate planned GFA attributable to us of approximately 8.4 million sq.m. for which we have not obtained land use rights certificates but have entered into land grant contracts or obtained land grant confirmation letters and are in the process of applying for the relevant land use rights. In addition, we have acquired certain parcels of land, including those for projects we develop with our joint venture partners with an aggregate planned GFA of approximately 7.1 million sq.m. (excluding the Asian Games City Project) subsequent to June 30, 2010. See "— Recend Developments."

The following table sets forth project-by-project information for our interest in our 52 property development projects as of June 30, 2010.

No	Project Name	Location	Aggregate GFA for Entire Project[1]	GFA Completed but Unsold / Held for Investment or Hotel Management	GFA Under Development	GFA Held for Future Development: Planned GFA[3]	GFA Held for Future Development: Land Use Rights Not Yet Obtained[3]	Interest Attributable to us
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
Yangtze River Delta								
1	Shanghai Shimao Riviera Garden	Shanghai	921,956	31,250	100,001	51,858	—	100%
2	Shanghai Shimao International Plaza and Le Royal Méridian Shanghai	Shanghai	170,935	170,935	—	—	—	100%
3	Shanghai Shimao Sheshan Villas and Le Méridien Sheshan Shanghai	Shanghai	146,514	71,731	—	—	—	100%
4	Hyatt on the Bund Shanghai	Shanghai	100,972	100,972	—	—	—	100%
5	Shanghai Shimao Wonderland	Shanghai	550,765	—	55,059	249,941	—	64%
6	Shanghai Shimao Emme County	Shanghai	351,200	3,432	143,857	116,470	—	100%
7	Nanjing Shimao Bund New City	Nanjing	1,925,978	28,563	181,821	1,551,743	868,447	82%
8	Kunshan Shimao Butterfly Bay	Kunshan	1,222,077	41,270	387,274	180,376	—	100%
9	Kunshan Shimao East No.1 New City (Residential)	Kunshan	1,137,744	30,175	450,290	385,145	—	100%
	Kunshan Shimao International City (Commercial)	Kunshan	191,440	—	94,048	97,392	—	64%
10	Kunshan Shimao Plaza	Kunshan	97,046	—	88,249	8,797	—	64%
11	Changshu Shimao The Center (Residential)	Changshu	993,495	271,339	149,402	542,679	—	100%
	Changshu Shimao The Center (Commercial)	Changshu	981,505	27,337	433,933	931,911	—	64%
12	Suzhou Shimao Canal Scene (Residential)	Suzhou	1,243,911	23,958	406,688	551,344	—	100%
	Suzhou Shimao Canal Scene (Commercial)	Suzhou	256,089	—	104,266	101,157	—	64%
13	Wuxi Transport Shimao Project (Residential)	Wuxi	1,226,600	—	—	1,226,600	981,280	78%
	Wuxi Transport Shimao Project (Commercial)	Wuxi	173,400	—	—	173,400	173,400	40%
14	Changzhou Shimao Champagne Lakeside Garden (Residential)	Changzhou	1,160,400	26,251	180,000	620,510	—	100%
	Changzhou Shimao Champagne Lakeside Garden (Commercial)	Changzhou	339,600	—	—	339,600	—	64%
15	Xuzhou Shimao Dongdu (Residential)	Xuzhou	1,080,000	487	110,000	856,302	144,972	100%
	Xuzhou Shimao Dongdu (Commercial)	Xuzhou	220,000	—	—	220,000	—	64%
16	Taizhou Shimao Riverside Garden	Taizhou	400,000	3,064	89,954	217,440	—	100%
17	Hangzhou Shimao Riviera Garden	Hangzhou	718,840	3,413	367,519	—	—	100%
18	Hangzhou Shimao Jiangbin I	Hangzhou	608,986	—	—	608,986	—	50%
19	Hangzhou Shimao Jiangbin II	Hangzhou	281,687	—	—	281,687	—	50%
20	Hangzhou Shimao Yuhang Project	Hangzhou	180,000	—	—	180,000	128,502	100%
21	Hangzhou Shimao Yuhang Project II	Hangzhou	213,000	—	—	213,000	213,000	100%

No	Project Name	Location	Aggregate GFA for Entire Project[1]	GFA Completed but Unsold / Held for Investment or Hotel Management	GFA Under Development	GFA Held for Future Development		Interest Attributable to us
						Planned GFA[3]	Land Use Rights Not Yet Obtained[3]	
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
22	Hangzhou Shimao Xiasha Commercial Project	Hangzhou	111,832	—	—	111,832	55,916	64%
23	Shaoxing Shimao Dear Town (Residential)	Shaoxing	1,032,483	73,644	646,851	166,091	—	100%
	Shaoxing Shimao Dear Town (Commercial)	Shaoxing	269,217	—	267,015	2,202	—	64%
24	Jiaxing Shimao New City (Residential)	Jiaxing	783,000	1,657	80,898	609,626	—	100%
	Jiaxing Shimao New City (Commercial)	Jiaxing	267,000	—	—	267,000	—	64%
25	Ningbo Shimao World Gulf	Ningbo	700,000	2,743	472,867	227,999	—	100%
26	Ningbo Beilun Chunxiao Project	Ningbo	480,000	—	—	480,000	—	100%
27	Wuhu Shimao Riviera Garden (Residential)	Wuhu	476,505	2,924	150,810	106,195	—	100%
	Wuhu Shimao Riviera Garden (Commercial)	Wuhu	254,880	27,119	53,085	54,129	—	64%
Bohai Rim								
28	Beijing Shimao Olive Garden	Beijing	299,853	1,433	—	—	—	100%
29	Beijing Shimao Tower	Beijing	70,175	70,175	—	—	—	64%
30	Beijing Shimao Gongsan Plaza	Beijing	212,000	—	212,000	—	—	64%
31	Beijing Shimao Royal Garden	Beijing	48,625	—	—	48,625	—	100%
32	Tianjin Shimao Ecology City	Tianjin	79,726	—	—	79,726	—	75%
33	Qingdao National High-Tech Development Zone Project	Qingdao	1,394,000	—	—	1,394,000	689,891	100%
34	Qingdao Shi'ao Tower	Qingdao	240,000	—	—	240,000	168,000	48%
35	Yantai Shimao No. 1 The Harbour	Yantai	280,000	69,564	42,641	—	—	100%
36	Dalian Shimao Lvshunkou Project	Dalian	1,600,000	—	—	1,600,000	1,181,520	85%
37	Dalian Shimao Lvshunkou Project II	Dalian	668,264	—	—	668,264	333,531	50%
38	Dalian Jinzhou Shimao Carnival I	Dalian	1,300,000	—	—	1,300,000	579,800	100%
	Dalian Jinzhou Shimao Carnival II	Dalian	700,000	—	—	700,000	278,884	100%
39	Shenyang Shimao Wulihe (Residential)	Shenyang	820,000	—	622,316	197,684	—	100%
	Shenyang Shimao Wulihe (Commercial)	Shenyang	967,220	22,919	63,355	820,124	—	64%

No	Project Name	Location	Aggregate GFA for Entire Project[(1)]	GFA Completed but Unsold / Held for Investment or Hotel Management	GFA Under Development	GFA Held for Future Development: Planned GFA[(3)]	GFA Held for Future Development: Land Use Rights Not Yet Obtained[(3)]	Interest Attributable to us
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
Other								
40	Wuhan Shimao Splendid River	Wuhan	1,816,000	77,584	347,578	1,087,900	—	96%
41	Wuhan Shimao Carnival (Residential)	Wuhan	1,000,000	—	—	1,000,000	875,800	100%
	Wuhan Shimao Carnival (Commercial I)	Wuhan	501,000	—	5,000	496,000	501,000	64%
	Wuhan Shimao Carnival (Commercial II)	Wuhan	27,418	—	—	27,418	27,418	64%
42	Xianyang Shimao Urban Complex	Xianyang	184,203	—	56,221	127,982	—	60%
43	Harbin Shimao Riviera New City	Harbin	1,693,564	32,071	258,241	634,961	—	100%
44	Chengdu Longquanyi Project	Chengdu	657,681	—	124,500	533,181	184,000	100%
45	Mudanjiang Shimao Beishan Project	Mudanjiang	700,000	—	—	700,000	251,226	100%
46	Mudanjiang Shimao Jiangnan Project	Mudanjiang	1,800,000	—	61,799	1,738,201	744,480	100%
47	Fuzhou Shimao Skyscrapers	Fuzhou	500,000	25,865	189,937	—	—	100%
48	Fuzhou Shimao Bund Garden	Fuzhou	276,402	116	—	—	—	82%
49	Xiamen Coastal Shimao Project (Residential)	Xiamen	62,936	—	—	62,936	—	82%
	Xiamen Coastal Shimao Project (Commercial)	Xiamen	212,961	—	212,961	—	—	82%
50	Xiamen Shimao Riverside Capital Project	Xiamen	452,700	—	90,803	361,897	235,740	100%
51	Nanchang Hongutan Project	Nanchang	331,096	—	—	331,096	331,096	100%
52	Changsha Hexi Project	Changsha	550,000	—	—	550,000	550,000	100%
Total			40,714,481	1,241,991	7,380,965	26,351,676	9,497,503	
Attributable GFA[(2)]				1,180,931	6,760,602	23,111,486	8,378,597	

Notes:

(1) *"Aggregate GFA for Entire Project" includes completed properties sold.*

(2) *"Attributable GFA" represents the portion of the GFA which is attributable to us, based on our interest in the relevant project.*

(3) *"Planned GFA" includes "Land Use Rights Not Yet obtained."*

As of June 30, 2010, there were 25 projects for which our project companies had entered into land grant contracts or obtained land grant confirmation letters but for which we had not obtained the relevant land use rights certificates.

We set out below certain key information relating to our business segments in terms of GFA as of June 30, 2010:

	GFA Completed but Unsold/Held for Investment or Hotel Management	GFA Under Development	GFA Held For Future Development
	(sq.m.)	(sq.m.)	(sq.m.)
Properties for Sale and Investment			
Residential	675,124	4,602,233	17,866,032
Retail/office	296,871	2,405,549	7,611,610
Hotel	269,996	373,183	874,034
Total	1,241,911	7,380,965	26,351,676
Attributable GFA[(1)]	1,180,931	6,760,602	23,111,486

Notes:

1. *The attributable GFA represents the portion of the total GFA which is attributable to us, based on our interest in the relevant project.*

In general, land use rights in the PRC are granted for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for comprehensive use properties. The relevant authorities will not issue a formal land use rights certificate in respect of a piece of land until (i) pay the land premium in full; (ii) satisfy all conditions under the land grant contract according to applicable laws and regulations, and (iii) pay in full the relevant taxes and fees. As a result, according to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates were granted at different stages of development.

The site area information for an entire project is based on either the relevant land use right certificates, land grant contracts or tender documents, depending on which documents are available. The aggregate GFA of a project includes saleable and non-saleable GFA, car parking spaces as well as rentable and hotel GFA. "Saleable GFA" represents the GFA of a property which we intend to sell and which does not exceed the multiple of the site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project. "Non-saleable GFA" represents the GFA of a property which is not for sale and largely includes ancillary facilities such as clubhouses and schools. "Rentable GFA" refers to the GFA that is held for investment and is available for rental purposes and "hotel GFA" refers to the GFA of the relevant hotel subject to hotel management.

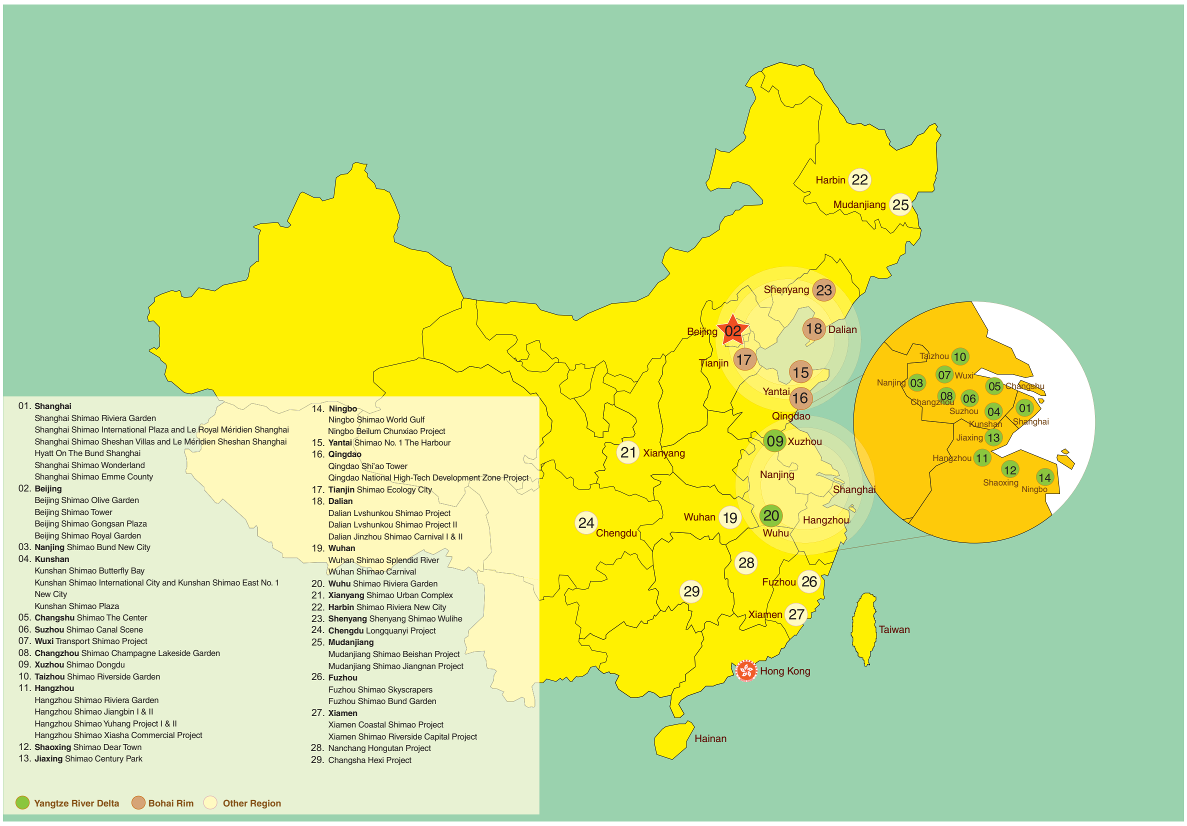
The figures for completed GFA that appear in this document are based on figures provided in the relevant government documents. The following information that appear in this document are based on our internal records and estimates: (a) figures for GFA under development, GFA held for future development, GFA sold and unsold, saleable GFA, non-saleable GFA, rentable GFA and hotel GFA, and (b) information regarding planned completion date and number of units. The information setting out the construction period for the completed blocks or phases of our projects in this document is based on relevant government documents or our own internal records.

Properties are sold when the purchase contract with a customer has been executed and the properties have been delivered to the customer. Properties are pre-sold when the purchase contract has been executed but the properties have not yet been delivered to the customer.

We include in this document the project names which we have used, or intend to use, to market our properties. Some of the names for our property developments are pending approvals by the relevant government authorities and may be subject to change.

Geographic Locations of Our Projects

The following map shows the geographic locations of our 52 property development projects as of June 30, 2010:



Our Property Development Projects

Yangtze River Delta

Shanghai Shimao Riviera Garden

Shanghai Shimao Riviera Garden is a large-scale residential and retail development situated in Lujiazui, Pudong District which is a financial center of Shanghai. The project occupies a total site area of approximately 270,305 sq.m. with a total GFA of approximately 921,956 sq.m., of which approximately 785,063 sq.m. are saleable GFA. The project features 3,215 apartment units within seven residential buildings of 49 to 55 floors and an office building.

Shanghai Shimao Riviera Garden is being developed by Shanghai Shimao Real Estate Co., Ltd.

Shanghai Shimao International Plaza and Le Royal Méridian Shanghai

Shanghai Shimao International Plaza is a retail and hotel development situated on Nanjing East Road, Puxi, Shanghai and is the tallest building in Puxi according to Xinhua news report. It lies at the entrance of the Shopping Pedestrian Area on Nanjing East Road and is adjacent to Shanghai Museum, Shanghai Grand Theatre, and People's Square Station of Shanghai Metro, and is near the multinational architectures on the Bund. The project occupies a total site area of approximately 13,025 sq.m. with a total GFA of approximately

170,935 sq.m., of which approximately 99,696 sq.m. are hotel GFA and 71,239 sq.m. are rentable GFA. The project features a large shopping mall and houses our five-star hotel, Le Royal Méridian Shanghai. The hotel has 770 guest rooms and ancillary facilities including a conference centre of approximately 2,000 sq.m., two ballrooms, five conference rooms and a VIP club house.

Shanghai Shimao International Plaza and Le Royal Méridian Shanghai were developed by Shanghai Shimao International Plaza Co., Ltd.

Shanghai Shimao Sheshan Villas and Le Méridien Sheshan Shanghai

Shanghai Shimao Sheshan Villas and Le Méridien Sheshan Shanghai are residential and hotel developments in the Sheshan resort area in Songjiang District, Shanghai. The project enjoys the scenic view of Yuehu Lake to its north, and the scenic view of Mount Sheshan to its south. The project occupies a total site area of approximately 579,685 sq.m. with a total GFA of approximately 146,514 sq.m., of which 77,186 sq.m. are saleable GFA and 69,328 sq.m. are hotel GFA. Shanghai Shimao Sheshan Villas features 72 low-density residential villas while Le Méridien Sheshan Shanghai features 327 guest rooms and ancillary facilities including a grand ball room which can hold 2,500 seats.

Shanghai Shimao Sheshan Villas and Le Méridien Sheshan Shanghai were developed by Shanghai Shimao Villas Property Co., Ltd..

Hyatt on the Bund Shanghai

Hyatt on the Bund Shanghai is a hotel development in Hongkou District, which is a business and commercial center of Shanghai and has extensive transportation network. Hyatt on the Bund Shanghai is adjacent to the Huangpu River, facing the Oriental Pearl TV Tower in Pudong. The project occupies a total site area of approximately 13,671 sq.m. with a total GFA of approximately 100,972 sq.m., of which approximately 100,972 sq.m. are hotel GFA. The project features 631 guest rooms.

Hyatt on the Bund Shanghai was developed by Shanghai Shimao North Bund Development and Construction Co. Ltd..

Shanghai Shimao Wonderland

Shanghai Shimao Wonderland is a large-scale residential, retail and hotel development at the Sheshan State Tourist Resort Area, Songjiang District, Shanghai. The project occupies a total site area of approximately 428,213 sq.m. with a total GFA of approximately 550,765 sq.m., of which approximately 421,000 sq.m. are rentable/hotel GFA. The project features two hotels, an entertainment/retail complex and serviced apartments.

Shanghai Shimao Wonderland was developed by Shanghai Shimao Wonderland Property Co., Ltd..

Shanghai Shimao Emme County

Shanghai Shimao Emme County is a residential development situated in the Xinghuo Development Zone, Fengxian District, Shanghai, spanning from Nong Gong Shang Avenue to the east to Ming Cheng Garden, Ming Cheng Road to the west. It is bounded by Min Le Road to its north and crossed by Lian Tang Road and is adjacent to a 480,000 sq.m. theme park to its south. The project occupies a total site area of approximately 241,643 sq.m. with a total GFA of approximately 351,200 sq.m., of which approximately 350,000 sq.m. are saleable GFA. The project features a residential complex comprising sea view apartments and townhouses with an extensive beach shore in Shanghai.

Shanghai Shimao Emme County was developed by Shanghai Bicheng Real Estate Co., Ltd.

Nanjing Shimao Bund New City

Nanjing Shimao Bund New City is a large-scale residential, hotel and retail development at the intersection of the Yangtze River and the Qinhuai River in Nanjing. The project stretches for approximately three kilometers along the Yangtze River. The project occupies a total site area of approximately 484,899 sq.m. with a total GFA of 1,925,978 sq.m., of which approximately 1,753,276 sq.m. are saleable/rentable/hotel GFA. The project features a five-star hotel with 419 guest rooms, residential buildings and shopping malls.

Nanjing Shimao Bund New City is being developed by Nanjing Shimao Real Estate Development Co., Ltd.

Kunshan Shimao Butterfly Bay

Kunshan Shimao Butterfly Bay is a large-scale residential and retail development situated in the Kunshan Economic and Technology Development Area in Kunshan City. The project occupies a total site area of approximately 717,821 sq.m. with a total GFA of approximately 1,222,077 sq.m., of which approximately 1,093,261 sq.m. are saleable GFA. The project is expected to feature residential buildings and shopping malls together with amenities such as clubhouses, an open outdoor square, a promenade and parks.

Kunshan Shimao Butterfly Bay is being developed by Kunshan Shimao Butterfly Bay Development and Construction Co., Ltd.

Kunshan Shimao East No.1 New City and Kunshan Shimao International City

Kunshan Shimao East No. 1 New City and Kunshan Shimao International City are large-scale residential, retail and office projects situated at Kunshan Development Zone in Kunshan City. The projects occupy a total site area of approximately 767,533 sq.m. with a total GFA of approximately 1,329,184 sq.m., of which approximately 1,065,632 sq.m. are saleable/rentable GFA. The projects are expected to feature residential blocks, townhouses, offices and a shopping mall. Kunshan Shimao International City is the commercial portion of the projects with a total GFA of approximately 191,440 sq.m.

Kunshan Shimao East No.1 New City and Kunshan Shimao International City are being jointly developed by Kunshan Shimao New Development Property Co., Ltd. and Kunshan Shimao Real Estate Development Co., Ltd..

Kunshan Shimao Plaza

Kunshan Shimao Plaza is a retail development situated on East Road in the Kunshan Development Zone in Kunshan City. The project occupies a total site area of approximately 65,800 sq.m. with a total GFA of approximately 97,046 sq.m., of which approximately 97,046 sq.m. are rentable GFA. The project features a shopping mall.

Kunshan Shimao Plaza is being developed by Kunshan Shimao East China Mall Development Co., Ltd..

Changshu Shimao The Center

Changshu Shimao The Center is a large-scale integrated development project situated to the west of Xiangshan North Road, to the north of Zhaowen Road, to the south of Changjiang Road and to the east of Taishan Road. The project occupies a total site area of approximately 692,609 sq.m. with a total GFA of approximately 1,975,000 sq.m., of which approximately 1,645,008 sq.m. are saleable/hotel GFA. The project is expected to feature residential buildings, a five-star hotel, a shopping mall, offices and various amenities.

Changshu Shimao The Center is being jointly developed by Changshu Shimao Real Estate Development Co., Ltd. and Changshu Shimao New Development Property Co., Ltd.

Suzhou Shimao Canal Scene

Suzhou Shimao Canal Scene is residential and retail development situated in Wuzhong District in the southwest of Suzhou City. It is bounded by Fuyun Road to the west, West Taihu Road to the south and the ancient town to the north. The project is adjacent to the Shihu Lake and the Grand Canal in its south, and the Suzhou International Education Park in its south-west. The project occupies a total site area of approximately 490,339 sq.m. with a total GFA of approximately 1,500,000 sq.m., of which approximately 1,200,571 sq.m. are saleable/rentable GFA. The project is expected to become a comprehensive business and residential district demonstrating the modernization process in Suzhou.

Suzhou Shimao Canal Scene is being developed by Suzhou Shimao Property Co., Ltd. and Suzhou Shimao Investment and Development Co., Ltd.

Wuxi Transport Shimao Project

Wuxi Transport Shimao Project is an integrated development project located to the north of Wuxi Train Station in Jiangsu Province. The project occupies a total site area of approximately 270,170 sq.m. with a total GFA of approximately 1,400,000 sq.m., of which approximately 47,000 sq.m. are hotel GFA. The project is expected to feature a multi-functional complex consisting of offices, a hotel and high-end apartments.

Wuxi Transport Shimao Project is being jointly developed by Wuxi Shimao New Development Property Co., Ltd. and Wuxi Shimao Real Estate Development and Construction Co., Ltd.

Changzhou Shimao Champagne Lakeside Garden

Changzhou Shimao Champagne Lakeside Garden is a large-scale integrated development project situated on Tai Hu East Road in Changzhou, Jiangsu. The project occupies a total site area of approximately 896,100 sq.m. with a planned total GFA of approximately 1,500,000 sq.m., of which approximately 1,485,200 sq.m. are saleable GFA. The project is expected to feature residential blocks, a hotel, shopping mall, offices and various amenities.

Changzhou Shimao Champagne Lakeside Garden is being developed by Changzhou Shimao Real Estate Development Co., Ltd. and Changzhou Shimao New City Real Estate Development Co., Ltd.

Xuzhou Shimao Dongdu

Xuzhou Shimao Dongdu is an integrated development project situated in Yunlong District, Xuzhou City. It aims to integrate facilities for cultural, tourism, leisure and entertainment, business and residential purposes. The project is adjacent to the Han Dynasty Cultural and Scenic Park and ruins of the Old Course of Yellow River. The project occupies a total site area of approximately 674,568 sq.m. with a total GFA of approximately 1,300,000 sq.m., of which 1,103,661 sq.m. are saleable GFA. The project is expected to feature a high quality residential community, a hotel and a theme park combining historical, cultural, leisure, amusement and scenic features.

Xuzhou Shimao Dongdu is being jointly developed by Xuzhou Shimao New City Real Estate Development Co., Ltd., Xuzhou Shimao New Era Real Estate Development Co., Ltd. and Xuzhou Shimao Property Co., Ltd.

Taizhou Shimao Riverside Garden

Taizhou Shimao Riverside Garden is a residential and hotel development situated at the northern part of the Taizhou Economic Development Zone in Taizhou City. It is bounded by the Xiangyang River to its north, the Zhoushan River to its south, the Nanguan River to its west and Taigao Road to its east. The project occupies a total site area of approximately 283,500 sq.m. with a total GFA of approximately 400,000 sq.m., of which approximately 318,800 sq.m. are saleable GFA. The project is expected to feature a large-scale premium waterfront community.

Taizhou Shimao Riverside Garden is being jointly developed by Taizhou Shimao New City Real Estate Development Co., Ltd. and Taizhou Shimao New Development Property Co., Ltd.

Hangzhou Shimao Riviera Garden

Hangzhou Shimao Riviera Garden is a residential development situated on the waterfront of Qiantang River in Xiasha Area, within the Xiasha Economic Development Zone in Hangzhou City. It is bounded by Avenue 20 to the south, the Riverside Avenue to the east, and Avenue 14 to its north. The project occupies a site area of approximately 276,704 sq.m. with a total GFA of approximately 718,840 sq.m., of which 618,840 sq.m. are saleable GFA. The project is expected to feature a large-scale riverside residential community.

Hangzhou Shimao Riviera Garden is being developed by Hangzhou Shimao Property Co., Ltd.

Hangzhou Shimao Jiangbin I & II

Hangzhou Shimao Jiangbin I & II are residential and commercial developments situated on the south bank of Qiantang River in the Riviera District of Hangzhou City. The projects are bounded by Jiangling Road and Binsheng Road. The projects face the CBD of Qianjiang New City across Qiantang River. The projects occupy a site area of approximately 281,440 sq.m. with a total GFA of approximately 890,673 sq.m.. The projects are expected to feature high-rise residential buildings and commercial and office property.

Hangzhou Shimao Jiangbin I & II is being jointly developed by Hangzhou Shimao Shiying Property Development Co., Ltd. and Hai Shu Property Development (Hangzhou) Co., Ltd.

Hangzhou Shimao Yuhang Project

Hangzhou Shimao Yuhang Project is a residential and commercial development situated in the Yuhang District of Hangzhou City. It is bounded by Nanhu East Road to the west. The project occupies a site area of approximately 78,335 sq.m. with a total GFA of approximately 180,000 sq.m.. The project is expected to feature high-rise residential buildings and commercial property.

Hangzhou Shimao Yuhang Project is being developed by Hangzhou Shimao New Prospect Property Co., Ltd.

Hangzhou Shimao Yuhang Project II

Hangzhou Shimao Yuhang Project is a residential development situated in the Yuhang District of Hangzhou City. It is bounded by Nanhu East Road to the west. The project occupies a site area of approximately 106,405 sq.m. with a total GFA of approximately 213,000 sq.m. The project is expected to feature high-rise residential buildings.

Hangzhou Shimao Xiasha Commercial Project

Hangzhou Shimao Xiasha Commercial Project is a commercial development situated in the Xiasha Economic and Technology Development Zone, Hangzhou. It is adjacent to our Hangzhou Shimao Riviera Garden and is close to Qiantang River. The project occupies a site area of approximately 62,547 sq.m. with a total GFA of approximately 111,832 sq.m. The project is expected to feature a comprehensive commercial complex housing a shopping mall.

Hangzhou Shimao Xiasha Commercial Project is being developed by Hangzhou Shimao Century Property Co., Ltd.

Shaoxing Shimao Dear Town

Shaoxing Shimao Dear Town is an integrated development project at Didang New Town, Shaoxing City. The project occupies a site area of approximately 497,346 sq.m., with a planned total GFA of approximately 1,301,700 sq.m., of which 1,011,583 sq.m. are saleable/rentable/hotel GFA. The project is expected to feature residential buildings, a five-star hotel, shopping mall, cinemas, offices, car parking spaces and various amenities.

Shaoxing Shimao Dear Town is being jointly developed by Shaoxing Shimao New City Real Estate Development Co., Ltd., Shaoxing Shimao New Property Development Co., Ltd., Shaoxing Shimao Property Co., Ltd., Shaoxing Shimao New Century Property Co., Ltd., and Shaoxing Shimao New Era Property Co., Ltd.

Jiaxing Shimao New City

Jiaxing Shimao New City is a large-scale residential, retail and office development located at the south of Jiaxing City and is next to the designated site for the Jiaxing Station of the Maglev train system which is currently proposed to be built between Shanghai and Hangzhou. The project occupies a site area of approximately 532,057 sq.m., with a planned total GFA of approximately 1,050,000 sq.m., of which 900,000 sq.m. are saleable/hotel GFA. The project is expected to feature residential buildings, a hotel, a shopping mall, offices and various amenities.

Jiaxing Shimao New City is being jointly developed by Jiaxing Shimao New City Real Estate Development Co., Ltd., Jiaxing Shimao New Prospect Property Co., Ltd. and Jiaxing Shimao New Century Property Co., Ltd.

Ningbo Shimao World Gulf

Ningbo Shimao World Gulf is an integrated development project situated at the centre of Beilun District in Ningbo City. It is bounded by Huangshan Road to its north, Taishan Road to its south, Taihe Road to its west and Guihua Road to its east. The project occupies a site area of approximately 234,046 sq.m. with a total GFA of approximately 700,000 sq.m., of which 700,000 sq.m. are saleable GFA. The project is expected to feature high-end residential properties, prestigious hotels, large-scale commercial and office buildings.

Ningbo Shimao World Gulf is being jointly developed by Ningbo Shimao Real Estate Development Co., Ltd. and Ningbo Shimao New Development Property Co., Ltd.

Ningbo Beilun Chunxiao Project

Ningbo Beilun Chunxiao Project is a residential and commercial development situated on Chunxiao Road in Beilun District, Ningbo City. The project occupies a total site area of approximately 400,000 sq.m. with a total GFA of approximately 480,000 sq.m. The project features high-end residential properties and commercial buildings.

Ningbo Beilun Chunxiao Project is being jointly developed by Ningbo Shimao New City Real Estate Development Co., Ltd. and Ningbo Shimao New Era Property Co., Ltd.

Wuhu Shimao Riviera Garden

Wuhu Shimao Riviera Garden is a large-scale residential, hotel, retail, cultural and art center development at Binjiang Park, Wuhu. The project occupies a site area of approximately 187,556 sq.m., with a planned total GFA of approximately 730,985 sq.m., of which approximately 549,892 sq.m. are saleable/rentable/hotel GFA. The project is expected to feature residential buildings, a five-star hotel, shopping mall, a cultural and art center and various amenities.

Wuhu Shimao Riviera Garden is being jointly developed by Wuhu Shimao Real Estate Development Co., Ltd. and Wuhu Shimao New Century Property Co., Ltd.

Bohai Rim

Beijing Shimao Olive Garden

Beijing Shimao Olive Garden is a residential and retail development to the north of the Olympic Village in Beijing. The project occupies a total site area of approximately 100,002 sq.m. with a total GFA of approximately 299,853 sq.m., of which 238,864 sq.m. are saleable GFA. The project features residential buildings and a shopping mall, enjoying the view of the Olympic Village and the Olympic Garden.

Beijing Shimao Olive Garden was developed by Beijing Shimao Investment and Development Co. Ltd.

Beijing Shimao Tower

Beijing Shimao Tower is a commercial development situated at No. A92, Jianguo Road, Chaoyang District, a location within the central business district "CBD" along East Third Ring Road and Chang An Street, and is within 200 meters from the International Trade Center. The project occupies a total site area of approximately 7,183 sq.m. with a total GFA of 70,175 sq.m., of which approximately 70,175 sq.m. are rentable GFA. The project features a large commercial complex together with high-quality office space.

Beijing Shimao Tower is being developed by Shanghai Shimao Wonderland Property Co., Ltd.

Beijing Shimao Gongsan Plaza

Beijing Shimao Gongsan Plaza is a commercial and hotel development situated in Xingfu Community No.1 on North Gongti Road, Sanlitun. It is close to the embassy area and Chaoyang Park. The project also neighbors the CBD to its south and the Yansha business circle, consisting of Yansha Shopping Mall, Kempinski Hotel, high-end office buildings to its northeast and the Workers' Stadium, Baoli Tower and Hong Kong - Macau Center to its west. The project occupies a total site area of approximately 30,113 sq.m. with a total GFA of 212,000 sq.m., of which approximately 74,000 sq.m. are rentable GFA. The project is expected to feature serviced apartments, a shopping mall and an office building and include cultural and entertainment facilities.

Beijing Shimao Gongsan Plaza is being developed by Beijing Fortune Times Property Co., Ltd.

Beijing Shimao Royal Garden

Beijing Shimao Royal Garden is a residential development situated on East 3rd Ring North Road, Chaoyang District, Beijing. The project occupies a total site area of approximately 5,462 sq.m. with a total GFA of approximately 48,625 sq.m., of which approximately 48,625 sq.m. are saleable GFA. The project features an apartment with 202 units and includes ancillary facilities such as carpark, gymnasium and swimming pool.

Tianjin Shimao Ecology City

Tianjin Shimao Ecology City is a planned integrated development project situated in the Yong Ding Zhou area south of the startup zone of Zhongxin Tianjin Ecology City. The project occupies a site area of approximately 118,467 sq.m. with a planned total GFA of approximately 79,726 sq.m., of which 79,296 sq.m. are hotel GFA. We are in the process of acquiring an adjacent piece of land for residential development. The residential portion is expected to feature a large-scale integrated residential community, including low-rise apartments and high-rise apartments.

Tianjin Shimao Ecology City is being developed by Tianjin Eco-City Shimao New City Investment and Development Co., Ltd. and Tianjin Shimao New Prospect Property Co., Ltd.

Qingdao National High-Tech Development Zone Project

Qingdao National High-Tech Development Zone Project is a residential and commercial development situated at the High-Tech Development Zone in Qingdao. The project occupies a total site area of approximately 931,600 sq.m. with a total GFA of approximately 1,394,000 sq.m. The project features high-end residential and commercial buildings.

Qingdao National High-Tech Development Zone Project is being developed by Qingdao Shimao New City Real Estate Development Co., Ltd.

Qingdao Shi'ao Tower

Qingdao Shi'ao Tower is an integrated development project situated on Donghai Xi Road in Qingdao. The project occupies a site area of approximately 10,723 sq.m. with a planned total GFA of approximately 240,000 sq.m.. The project is expected to feature two skyscrapers, as well as ancillary facilities for retail, office building, hotel and SOHO (Small Office, Home Office).

Qingdao Shi'ao Tower is being developed by Qingdao Shiao Investment and Development Co., Ltd.

Yantai Shimao No. 1 The Harbour

Yantai Shimao No. 1 The Harbour is an integrated development project located at the Seaside Square in downtown Yantai City. The project occupies a site area of approximately 34,336 sq.m., with a planned total GFA of approximately 280,000 sq.m., of which approximately 274,839 sq.m. are saleable/hotel GFA. The project features residential buildings, a five-star hotel, a shopping mall, offices and various amenities.

Yantai Shimao No. 1 The Harbour was developed by Yantai Shimao Property Co., Ltd.

Dalian Shimao Lvshunkou Project I & II

Dalian Shimao Lvshunkou Project I & II are integrated development projects situated alongside Longhe River in Lvshunkou District, Dalian. Dalian Shimao Lvshunkou Project I occupies a site area of approximately 802,507 sq.m. with a planned total GFA of approximately 1,600,000 sq.m., of which 50,000 sq.m. are hotel GFA. Dalian Shimao Lvshunkou Project II occupies a total site area of approximately 608,710 sq.m. with a total GFA of approximately 668,264 sq.m. The projects are expected to feature international conference centers, five-star hotels, shopping malls, commercial streets and high-end residential and commercial buildings.

Dalian Shimao Lvshunkou Project I & II are being developed by Dalian Shimao Longhe Development Co., Ltd.

Dalian Jinzhou Shimao Carnival I & II

Dalian Jinzhou Shimao Carnival I & II are integrated development projects situated in Shihou Village, Jinzhou District, Dalian. Dalian Jinzhou Shimao Carnival I occupies a site area of approximately 1,252,774 sq.m. with a planned total GFA of approximately 1,300,000 sq.m. Dalian Jinzhou Shimao Carnival II occupies a site area of approximately 750,000 sq.m. with a total GFA of approximately 700,000 sq.m., of which approximately 164,000 sq.m. are hotel GFA. The projects together are expected to feature a coastal tourist resort comprising a large indoor club house, a star-rated hotel and tourist facilities, a yacht pier, a international conference center and a riverside residential development.

Dalian Jinzhou Shimao Carnival I & II are being jointly developed by Dalian Shimao Carnival Property Co., Ltd. and Dalian Shimao New Era Property Co., Ltd.

Shenyang Shimao Wulihe

Shenyang Shimao Wulihe is an integrated development project situated on Wenti Road West, Heping Area, Shenyang. It lies within the downtown area and at the key area of the urban development area named the "Golden Corridor." The project occupies a site area of approximately 174,510 sq.m. with a planned total GFA of approximately 1,787,220 sq.m.. The project is expected to feature residential buildings, business and office buildings, a five-star hotel and other ancillary facilities.

Shenyang Shimao Wulihe is being jointly developed by Shenyang Shimao New Development Property Co., Ltd. and Shenyang Shimao New Era Property Co., Ltd.

Others

Wuhan Shimao Splendid River

Wuhan Shimao Splendid River is a large-scale residential, hotel, retail and office development at Yingwuzhou Area, Hanyang District, Wuhan City. The project occupies a site area of approximately 572,093 sq.m., with a planned total GFA of approximately 1,816,000 sq.m., of which 1,593,342 sq.m. are saleable/rentable/hotel GFA. The project is expected to feature residential buildings, a five-star hotel, a shopping mall, offices and various amenities.

Wuhan Shimao Splendid River is being developed by Wuhu Shimao Splendid River Estate Development Co., Ltd.

Wuhan Shimao Carnival

Wuhan Shimao Carnival is an integrated development project situated in Caidian District, Wuhan City. It lies next to Hougong Lake. The project occupies a total site area of approximately 960,577 sq.m. with a total GFA of approximately 1,528,418 sq.m. The project is expected to feature a landmark ecological interactive experience centre with an indoor theme park, comprising an environmental friendly community with commercial and tourist facilities, hotels, conference and exhibition facilities, office buildings, an innovation park, headquarters, residential units and leisure facilities.

Wuhan Shimao Carnival is being jointly developed by Wuhan Shimao Carnival Property Co., Ltd. and Wuhan Shimao New City Real Estate Development Co., Ltd.

Xianyang Shimao Urban Complex

Xianyang Shimao Urban Complex is an integrated development project situated at People's Square, in the city center of area Xianyang. The project occupies a site area of approximately 20,884 sq.m. with a planned total GFA of approximately 184,203 sq.m.. The project is expected to feature a high-rise four star hotel, a high-rise apartment building and a large commercial area.

Xianyang Shimao Urban Complex is being developed by Xianyang Shimao Real Estate Development Co., Ltd.

Harbin Shimao Riviera New City

Harbin Shimao Riviera New City is a large-scale residential and retail development on the waterfront in Songbei District in Harbin City. The project occupies a total site area of approximately 1,050,000 sq.m. with a planned total GFA of approximately 1,693,564 sq.m., of which approximately 1,539,556 sq.m. are saleable/rentable GFA. The project is expected to feature residential units and retail shops, together with various amenities such as clubhouses, an open square, a promenade and parks.

Harbin Shimao Riviera is being developed by Harbin Shimao Riviera New City Development and Construction Co., Ltd.

Chengdu Longquanyi Project

Chengdu Longquanyi Project is a residential development situated in the Tian'e Hu Community of Longquanyi District, Chengdu. It is close to San Sheng Xiang, a popular tourist spot. The Tian'e Hu Community includes a sports park (including a PGA-standard 18-hole golf course), a culture park, a commercial center as well as other community amenities such as schools and hospitals. The project occupies a site area of approximately 200,000 sq.m. with a planned total GFA of approximately 657,681 sq.m.. The project is expected to a integrated residential complex.

Chengdu Longquanyi Project is being jointly developed by Chengdu Shimao Property Co., Ltd.

Mudanjiang Shimao Beishan Project

Mudanjiang Shimao Beishan Project is a residential and hotel development situated between the northern center of Mudanjiang City and Beishan Park Scenic Area. The project occupies a total site area of approximately 454,874 sq.m. with a planned total GFA of approximately 700,000 sq.m., of which approximately 30,000 sq.m. are saleable/hotel GFA. The project is expected to feature a hotel and residential buildings.

Mudanjiang Shimao Beishan Project is being developed by Mudanjiang Shimao Property Co., Ltd.

Mudanjiang Shimao Jiangnan Project

Mudanjiang Shimao Jiangnan Project is a residential and commercial development situated in Jiangnan New District, Mudanjiang. It is adjacent to the Mudanjiang River. The project occupies a total site area of approximately 804,362 sq.m. with a planned total GFA of approximately 1,800,000 sq.m.. The project is expected to feature a complex with residential units and commercial facilities.

Mudanjiang Shimao Jiangnan Project is being developed by Mudanjiang Shimao New City Real Estate Development Co., Ltd.

Fuzhou Shimao Skyscrapers

Fuzhou Shimao Skyscrapers is an integrated development situated in the Taijiang District, Fuzhou City. It lies to the southwest of the intersection of Qunzhong Road and Guangda Road, in the heart of the CBD. The project is adjacent to the Shangri-la Hotel on the Wuyi Plaza in the downtown area, and is north of the business circle of Taijiang District and south of the business circle of East Avenue. The project occupies a total site area of approximately 94,306 sq.m. with a total GFA of approximately 500,000 sq.m., of which approximately 434,829 sq.m. are saleable/rentable GFA. The project is expected to feature a five-star hotel and high-quality office and residential buildings.

Fuzhou Shimao Skyscrapers is being developed by Fuzhou Shimao New City Real Estate Development Co., Ltd.

Fuzhou Shimao Bund Garden

Fuzhou Shimao Bund Garden is a residential and retail development at the waterfront adjacent to Minjiang in Taijiang District in Fuzhou City. The project occupies a total site area of approximately 77,357 sq.m. with a total GFA of approximately 276,402 sq.m., of which approximately 208,729 sq.m. are saleable GFA. The project features 1,090 units within four residential blocks, retail shops and 1,162 car parking spaces, together with comprehensive amenities, including a garden with a total site area of approximately 25,000 sq.m., clubhouses, a private harbor and a pedestrian shopping area.

Fuzhou Shimao Bund Garden was jointly developed by Fujian Shimao Investment and Development Co., Ltd. and Fuzhou Shimao Property Co., Ltd.

Xiamen Coastal Shimao Project

Xiamen Coastal Shimao Project is a commercial and hotel development situated at Xiagang Road, Siming District, Xiamen City. It is bounded by Xiamen University to the east, Gulang Yu to the west., Wanshishan Botanical Garden to its north and the sea on its south. The project is close to the business district on Zhongshan Road and is approximately 12 kilometers Xiamen Gaoqi International Airport. The project occupies a total site area of approximately 30,544 sq.m. with a total GFA of approximately 275,897 sq.m.. The project is expected to feature office buildings, SOHOs (Small Office, Home Office), a five-star hotel and commercial facilities.

Xiamen Coastal Shimao Project is being developed by Fujian Shimao New Prospect Real Estate Development Co., Ltd..

Xiamen Shimao Riverside Capital Project

Xiamen Shimao Riverside Capital Project is a residential and retail development situated in the Lakeside Reservoir Area in Xiamen City. It is bounded to the planned Guanri West Road to the north, Jinbian Road to the west, planned Jinqiu Road to the east and planned Jinbi Road to the south. The project occupies a total site area of approximately 137,000 sq.m. with a total GFA of approximately 452,700 sq.m.. The project is expected to feature a high-end residential area together with retail commercial developments.

Xiamen Shimao Riverside Capital Project is being developed by Fujian Shimao Property Co., Ltd.

Nanchang Hongutan Project

Nanchang Hongutan Project is a residential and commercial development situated in the Hong Gu Tan District in of Nanchang City. The project occupies a site area of approximately 83,000 sq.m. with a total GFA of approximately 331,096 sq.m. The project is expected to feature high-rise residential and commercial buildings.

Changsha Hexi Project

Changsha Hexi Project is a residential and commercial development situated in the Hexi District in of Changsha City. The project occupies a site area of approximately 156,627 sq.m. with a total GFA of approximately 550,000 sq.m. The project is expected to feature high-rise residential and commercial buildings.

Asian Games City Project

On June 24, 2010, we, Agile, Country Garden, R&F and Citic South entered into certain agreements relating to the transfer of equity interests in the Asian Games JV (the "Asian Games Equity Transfer Transactions") for joint development of the Asian Games City Project. The aggregate consideration for the Asian Games Equity Transfer Transactions to be paid by us is HK$150 million, representing 20% of the registered capital of the Asian Games JV to be acquired by us. Completion of the Asian Games Equity Transfer Transactions is subject to approval from the PRC government authorities.

The Asian Games City Project is situated in the Panyu District of Guangzhou City. The project occupies an estimated site area of approximately 2.6 million sq.m. and has been approved for the development of residential and commercial properties with a total GFA of approximately 4.4 million sq.m. The project includes the Asian Games village with a GFA of approximately 1.06 million sq.m., comprising approximately 803,400 sq.m. of residential GFA, approximately 65,800 sq.m. of commercial GFA and infrastructural facilities of approximately 197,300 sq.m. of GFA (the "Asian Games Village"), and 14 plots of undeveloped land with an aggregate site area of approximately 545,906 sq.m.

The Asian Games City Project is expected to be developed through the Asian Games JV, in which we will hold a minority equity interest. Approximately 1.06 million sq.m. of the total GFA of the Asian Games City Project, including approximately 803,400 sq.m. of residential GFA and 65,800 sq.m. of commercial GFA, had already been constructed as of June 24, 2010.

Upon the completion of the Asian Games Equity Transfer Transactions, we and our four joint venture partners will each hold a 20% equity interest, respectively, in the Asian Games JV. The cost for the acquisition of the land use rights for the Asian Games City Project will be shared equally by us and our four joint venture partners. Our proportional payment obligation for acquiring the land use rights for this project is approximately RMB5.1 billion (including the consideration of HK$150 million for equity transfer), of which we had paid approximately RMB2.04 billion as of June 24, 2010.

Our Potential Projects

We are currently seeking development opportunities in other cities with growth potential, including Chengdu, Jinan and Hainan and continue to assess possible development opportunities in other locations in the PRC. We believe that our brand and expertise in developing high quality properties coupled with high economic growth and governmental incentives in these areas will allow us to increase our profitability and brand recognition.

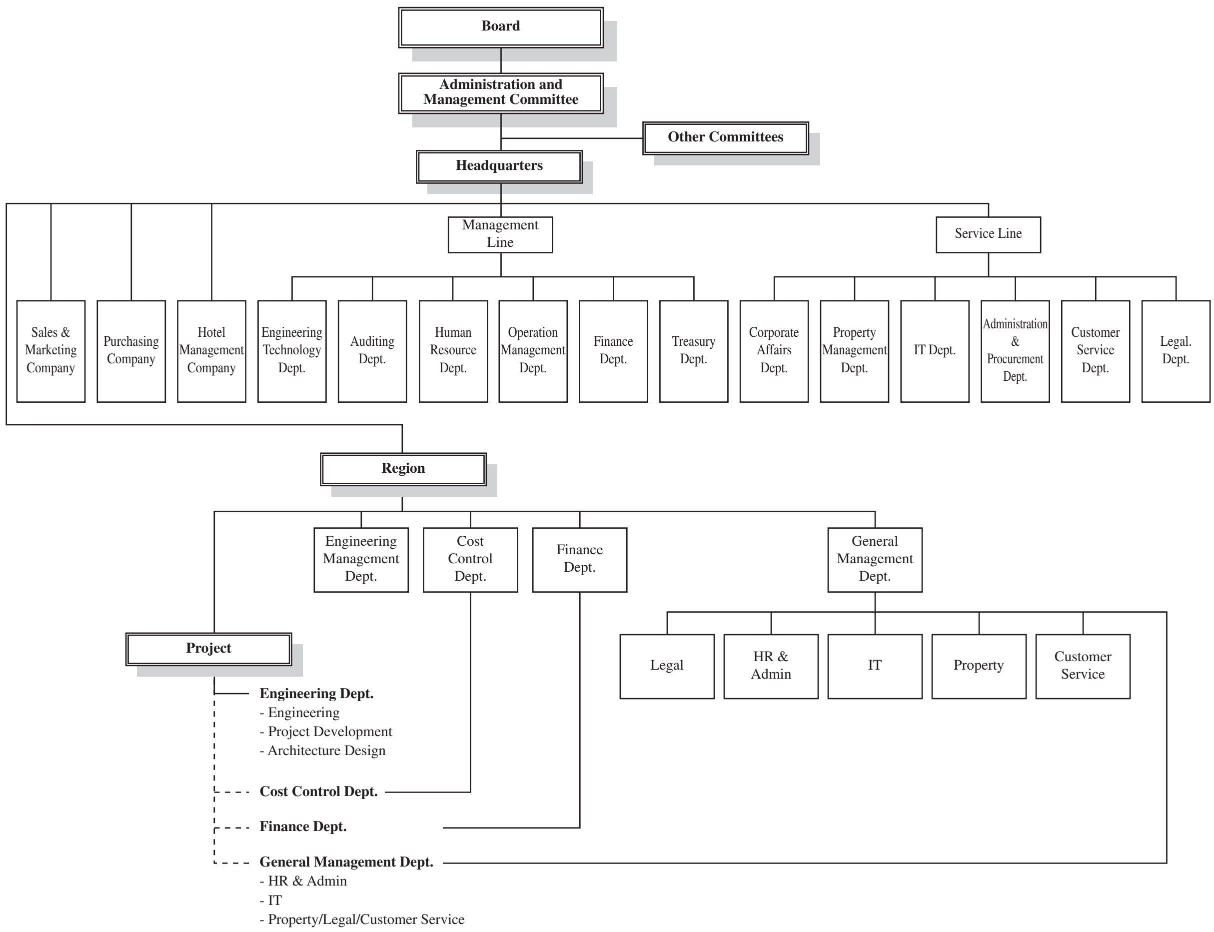
With regard to our potential projects, we are still at the preliminary stages of project selection and are undergoing market research.

Project Development

Although the nature and sequence of specific planning and execution activities will vary among projects, we have summarized below the core elements of our typical project development process for our residential, retail and hotel properties for sale.

Project Management

We set out below our project management structure:



We have established seven functional departments for each of our projects: construction, contracts, development, architectural design, sales, financial and operations. The manager of each functional department at the project level reports directly to the Project Controller and the financial manager is supervised by the Chief Financial Officer. Each of the controllers, including the Project Controller, and the Chief Financial Officer reports directly to the Administration and Management Committee.

The Planning and Development Management Committee is responsible for conducting market research and analysis to track the macro- and socio-economic changes and growth patterns of cities in China in order to identify and assess target localities which we believe to have development potential. The committee oversees the project selection process, details of which are set out in the paragraph entitled "Project Selection" below.

The Works and Bidding/Tendering Management Committee oversees the progress of each project, monitors quality control, the purchase of construction materials and engineers' contracts, manages project risks, coordinates resources for all projects and resolves major issues arising from projects. In addition, the committee is responsible for organizing or monitoring the tender process for major contractors (tenders with a value of over RMB5 million) or commercial tenders of similar value. The committee also manages the confirmation of tender results.

The Brand Management Committee is responsible for our overall brand design and promotion, after-sale services and monitoring project quality from our customers' perspective.

Project Selection

In conjunction with our ongoing market and design research, we continuously work to identify and evaluate potential sites for new projects. We assess land parcels for use in potential projects based on our analysis of, among other things:

- size, shape and location of the land parcel;
- local customer demand and expected growth of the city in which the land is located;
- transportation access and infrastructure support;
- project evaluation according to our internal pre-determined criteria;
- development prospects, taking into account social, economic and environmental effects;
- timing and cost of relocating existing occupants;
- applicable zoning regulations and government preferential policies; and
- government development plans for the relevant site and the neighboring area. Once we decide to acquire a piece of land, we prepare a feasibility report for approval by the Board.

Bidding/Tendering for Land

According to the Regulation on the Grant of State-owned Land Use Rights by Way of Tender, Auction and Putting Up for Bidding (招標拍賣掛牌出讓國有土地使用權規定) promulgated on May 9, 2002, and amended on September 28, 2007, all land to be developed for commercial purposes, such as business, tourism, entertainment and commodity residential housing, must be granted by way of tender, auction or bidding. When deciding to whom the land use rights should be granted, the relevant authorities will consider not only the tender price but also the credit history and qualifications of the developer and its tender proposal.

In brief, the procedures to obtain land use right certificates after 1 July 2002 are as follows:

1. The land administration department of the People's Government (人民政府) at county or municipal level (the "Grantor") issues a notice specifying the terms and conditions of the tender, auction or bidding (the "Sale"), including the amount of deposit payable, the initial bidding price of the land and other criteria that will be considered by the Grantor in determining the successful participant. The notice will generally be issued 20 days in advance of the Sale.

2. The Grantor will notify and invite the eligible participants, that is those who comply with the terms and conditions of the notice, to attend the Sale. At the Sale, the eligible participants may make an offer for the land and/or submit a proposal in accordance with the steps prescribed in the notice.

3. The Grantor then issues a letter of confirmation to the successful participant. Deposits paid by an unsuccessful participant will be returned.

4. The successful participant then enters into a State-owned Land Grant Contract (the "Grant Contract") with the Grantor in accordance with the terms specified in the letter of confirmation. The deposit paid for participating in the Sale will be used to offset part of the land premium.

5. Having fully paid the land premium specified in the Grant Contract, the successful participant registers the land with the Grantor.

6. The People's Government (人民政府) at or above county level issues a land use right certificate when the land premium is fully paid.

According to the Notice on the Issues Regarding Tightening the Control and Supervision of Real Estate Land Supply（關於加強房地產用地供應和監管有關問題的通知）issued by the Ministry of State Land and Resources on March 8, 2010, property developers are required to enter into the land grant agreement within ten working days after the land transaction is confirmed. This notice also stipulated that the minimum down payment of the land premium should be 50% of the total land premium, which must be paid within one month after execution of the land grant agreement, and the remaining balance should be paid in accordance with the agreement, but not later than one year.

Pursuant to the Notice on Further Strengthening of Real Estate Credit Administration (Yin Fa [2003] No. 121) (關於進一步加強房地產信貸業務管理的通知(銀發[2003]121號文)) issued by the PBOC on June 5, 2003, construction loans are linked to the credit-worthiness and financial position of a property developer and the progress of projects. As this notice prohibits commercial banks from advancing loans to fund the payment of land premium, our Directors believe that it has become more difficult for developers in poor standing or a weak financial position to obtain financing for land acquisitions. As a result, we typically target land for large-scale developments which we believe fewer developers have the financial resources and necessary experience to acquire and develop.

On September 21, 2010, the Ministry of Land and Resources and the MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知), which stipulated, among others, that developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of misconducts, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to their own business reasons; and (3) non-compliance with the land development requirements specified in land grant contracts.

Pre-construction

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 grant contract will be a precondition to applications for the following permits and licenses:

- land use right certificate (國有土地使用證). A certification of the right of a party to use a parcel of land. In Shanghai or some other cities, a real estate title certificate (房地產權證) will be issued instead;

- construction land planning permit (建設用地規劃許可證). A permit authorizing a developer to begin the survey, planning and design of a parcel of land;

- construction works planning permit (建設工程規劃許可證). A certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a work commencement permit (建設工程施工許可證);

- work commencement permit (建設工程施工許可證). A permit required for commencement of construction; and

- pre-sale permit (預售許可證). A permit authorizing a developer to start the pre-sale of property still under construction.

We have obtained all the required land use right certificates and permits for our existing properties under development taking into account their respective stages of development at such date.

Financing of Projects

We finance our projects primarily through capital contributions from our shareholders, bank loans and internal cash flows, including proceeds from the pre-sale of our properties and the proceeds from our initial public offering. According to guidelines issued by the CBRC, no loan shall be granted to projects which have not obtained the relevant land use right certificates, construction land planning permits (建設用地規劃許可證), construction works planning permits (建設工程規劃許可證) and work commencement permits (建設工程施工許可證). The guidelines also stipulate that not less than 35% of the total investment in a property development project must come from a real estate developer's own capital for the development project (項目資本金) in order for banks to extend loans to the real estate developer. Our policy is to finance our property developments with internal resources to the extent practicable so as to reduce the level of external funding required. As of June 30, 2010, our outstanding borrowings amounted to RMB29,193.8 million (US$4,304.9 million).

Project Design

We contract out the project design work for our property developments to reputable architectural and interior design firms (the "External Team") which are selected through a tender process. Our Works and Bidding/Tendering Management Committee is responsible for organizing and monitoring the tender process for major contracts (tenders with a value of over RMB5 million) or commercial tenders of similar value. The committee also manages the selection process for the tenders. Our in-house design department then works with the selected External Team to determine the design of a particular property development by taking into account certain factors such as:

- proposed type of development
- target market;
- size and surrounding area of the site; and
- advice provided by our sales and marketing department on the expectations of our target market.

Once the master design concept for a project is established, our in-house design department will collaborate with the External Team to transform the concept into a more detailed design drawing (the "Design Development Document"). This is a crucial part of the design process. The Design Development Document must be approved by the relevant PRC governmental authorities. Once approved, the Design Development Document then becomes the basis for the detailed design and construction of the project.

Our design department also works with the project engineers and our building material procurement team to develop and determine the appropriate building methods and materials so that project costs can be controlled and our developed properties are more likely to be accepted by the targeted markets.

During the construction phase, our design department works closely together with the contractors, the project engineers and the External Team to manage and oversee the project's progress. In addition to focusing on the functional and aesthetic aspects of a project, our design team also provides constant site supervision and conducts progress audits in order to ensure that construction progresses according to the design plan and schedule.

Resettlement

Resettlement in respect of most of our project developments (except for our Shanghai Shimao Riviera Garden) is carried out by the relevant local governments pursuant to specified time schedules for the delivery of the land to us as agreed and reflected in our land grant contracts. The relevant local governments are in the process of resettling the residents on the land in Shanghai Shimao Wonderland, Kunshan Shimao International City, Changshu Shimao The Center, Wuhan Shimao Splendid River, Phase 2 of Nanjing Shimao

Riviera New City, Shaoxing Shimao Dear Town, Changzhou Shimao Champagne Lakeside Garden, Suzhou Shimao Canal Scene, Xuzhou Shimao Dongdu, Hangzhou Shimao Riviera Garden, Hangzhou Shimao Yuhang Project, Wuhu Shimao Riviera Garden, Wuhan Shimao Carnival, Chengdu Longquanyi Project, Xiamen Coastal Shimao Project and Xiamen Shimao Riverside Capital Project. Upon delivery of land (and the accompanying land use right certificates) to us, we will pay the corresponding portion of the land premium according to the relevant land grant contract but there are no additional resettlement costs will be incurred by us in relation to these projects.

Construction

Our projects usually proceeds phase by phase or block by block as part of our financial management and marketing strategy. Normally, different general contractors are selected to carry out construction of different phases or blocks in a development, a practice which we consider enables us to better control construction quality, time and cost.

According to the PRC Tender Law (中華人民共和國招標投標法), which became effective on January 1, 2000, and the Rules on the Tender Scopes and Criteria for Construction Projects (工程建設項目招標範圍程規模標準規定), the selection of construction companies with respect to certain construction projects must be carried out using a bidding process.

The bidding process must be carried out for commodity housing projects which have an estimated total investment amount of RMB30 million or more, or which have any of the following contracts: (1) a single construction contract with an estimated contract price of RMB2 million or more; (2) a single contract for the purchase of key equipment and material with an estimated contract price of RMB1 million or more; or (iii) a single contract for the outsourcing of surveying, design, supervision and other services with an estimated contract price of RMB500,000.

The Group has selected its construction companies in accordance with a strict selection process as detailed below:

- Our project controller and consultants, in conjunction with our contracts department and the relevant supporting technical team, recommend a list of contractors to our Group's senior management.
- Such recommended contractors are then invited to provide information in relation to, for example, their previous experience, financial status and size and composition of their project management team.
- Based on the information provided by the contractors, our technical, design and contract departments then prepare a shortlist of contractors to be invited to submit tenders ("Invitees").
- We issue a tender notice to the Invitees.
- Upon receipt of the tender documents submitted by the Invitees, our engineers, quantity surveyors and the contracts department, together with relevant consultants in certain cases (together, the "Tender Team") will analyze the tender documents and prepare a report.
- The Tender Team conducts interviews with the Invitees to discuss in detail the scope of work required for the project and the specifications.
- The project manager recommends a candidate for the senior management's approval based on the Tender Team's analysis report and interviews.

Our construction contracts generally provide for progressive monthly payments during construction until a specified maximum percentage of the total contract sum is paid. The remaining balance, except for 5% of the contract sum which we withhold for two to three years from completion to apply against any expenses incurred as a result of any construction defects, is payable upon satisfactory completion of work. Our standard construction contract also includes express terms on construction schedule, cost and work quality. Under the standard construction contract, the general contractors are required to indemnify us for any losses we incur as a result of construction defects or delay and, in the latter case, the general contractors are required to pay default interest on a daily basis. We also request the general contractors to provide performance bonds in a sum equal to 10% of the construction cost as stated in the construction contract.

Quality Control and Construction Supervision

As of November 30, 2010, we employed 46 qualified architects to carry out the functions of quality control and construction supervision of the Group. We place a strong emphasis on quality control to ensure that our properties comply with relevant regulations and are of high quality. These procedures are strictly followed by our functional departments, project companies and by our construction supervisors. As part of our quality control procedures, it is our policy to only contract with reputable design and construction companies.

We purchase major materials, such as doors, windows, sanitary fittings and kitchen cabinets directly, while the general contractors procure the more basic building materials, such as cement and steel. With respect to the materials we purchased, particularly those that are in large volumes, we seek to utilize our centralized procurement function to strengthen our negotiating position with suppliers of these materials. The general contractors procure most of the equipment necessary for each project in accordance with our specifications. We do not own any construction equipment and do not maintain any inventory of building materials. To maintain quality control, we employ very strict procedures for selection, inspection and testing of materials. Our project management teams inspect all equipment and materials to ensure compliance with the contractual specifications before accepting the materials on site and approving payment. We reject materials which are below standard or that do not comply with our specifications and return them to the suppliers. To ensure quality and monitor the progress and workmanship of construction, each project has its own on-site project management team, which comprises qualified engineers led by our project controller. As of November 30, 2010, we employed 390 qualified engineers. Our project management teams provide on-site supervision of the project. In addition, we have a quality control department which inspects the quality of the construction work on a selective basis. We also engage independent quality supervisory companies to conduct quality and safety control checks on all building materials and workmanship on site.

Our construction controller is responsible for the supervision of the construction of our properties and ensuring that our properties meet a specified standard upon completion. In addition, prior to handing over a property to our customers, our sales and customer service departments together with our engineers and the relevant property management partners will inspect the property.

Pre-sale

According to the Urban Real Property Law (中華人民共和國城市房地產管理法) and the Administrative Measures governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), the following conditions must be fulfilled before the pre-sale of a particular property can commence:

- the land premium must be paid in full and the land use right certificate must have been obtained;
- the construction works planning permit and the work commencement permit must have been obtained;
- the funds contributed to the development of the project shall amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and
- the pre-sale approval must have been obtained.

The Ministry of Construction and the NDRC jointly issued the Notice of Further Rectifying the Trade Order of Real Estate Transactions (關於進一步整頓規範房地產交易秩序的通知) on July 6, 2006, which provides that real estate development enterprises shall commence the sale of commodity residential properties within 10 days after obtaining the pre-sale permit.

According to the Notice on Further Enhancing the Supervision of the 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) issued by the MOHURD on April 13, 2010, the property developers are not allowed to charge the purchasers any deposit, pre-payment or payment of the similar nature prior to obtaining the pre-sale permit.

In addition, the Shanghai governmental authority promulgated a policy on October 7, 2010 to put more stringent requirements on the pre-sale of projects, such as: (i) commercial housing projects which obtain a construction work commencement permit after July 1, 2010 shall not be permitted to pre-sell until the main structural component of the building is completed and approved; (ii) the scope under a construction works planning permit and a work commencement permit, and the pre-sale scope of commercial housing shall not be less than 30,000 sq.m; and (iii) projects of less than 30,000 sq.m shall apply for and obtain a construction works planning permit, a work commencement permit and a pre-sale permit concurrently. On November 4, 2010, the Beijing government promulgated a notice which provided that, when applying for a pre-sale permit for commercial housing, developers shall (i) provide pre-sale programs with details including, among others, construction schedules, the pre-sale plans of the relevant projects, the portion of commercial housing to be retained by the developer and other pre-sale details; (ii) after obtaining the pre-sale permit, arrange for sales to proceed in strict accordance with the pre-sale programs, which shall also be posted publicly at the sales offices; and (iii) not change the pre-sale programs in principle.

We have complied with the relevant statutory requirements for pre-sale in all material respects. For details of the laws and regulations governing pre-sales, please refer to "Regulation — The Land System of the PRC — Pre-sale and Sale."

Sales and Marketing

We have a dedicated sales and marketing team of over 360 employees responsible for determining the appropriate advertising and sales plans for our property developments. Our sales and marketing teams are responsible for conducting detailed analyses of market conditions, preparing promotional materials, conducting general promotional campaigns, recommending unit prices and pricing-related policies for our projects and coordinating and monitoring our relationship with the media. Our property sales planning is typically divided into three stages, as set out below:

- Planning stage — During the construction of our properties, our sales and planning and development departments will establish a sales team, train the team, and choose the agents to represent us in the relevant overseas cities. At this stage, our sales and planning and development departments will formulate a detailed sales plan including estimated selling prices, the selling period, number of units for sale and expense budget and refine our sales plans (the "Sales Plan") previously prepared at the project selection stage;

- Sales stage — Our management committee together with our senior management will confirm the Sales Plan and the relevant functional departments will implement the Sales Plan. We commence pre-sales after we obtain the relevant pre-sale permits; and

- Review stage — On a regular basis, we review our sales performance by comparing our actual sales results against the Sales Plan. Where there are significant differences, our management committee will investigate the reasons and put in place remedial plans where appropriate.

We also undertake both direct and indirect marketing efforts such as advertising, participating in international real estate exhibitions and maintaining loyalty clubs to promote the "Shimao" brand. Our loyalty clubs currently have over 30,000 members. Through these loyalty clubs, we maintain close contact with our customers and encourage them to actively participate in referring potential purchasers to us. We work with companies which have reputable brands to hold social events for our customers. In respect of our hotels, we partner with the Hyatt Group and the Starwood Group to increase our access to an international customer network so as to broaden our customer base and further increase the international recognition of our "Shimao" brand.

We do not provide property sales agency services. We engage international property agents to promote our properties in Hong Kong, Taiwan, Southeast Asia, Japan, the United States, Canada, Australia and Europe.

In line with the market practice in the PRC, we usually commence pre-sales before completion of the entire project. Our pre-sales typically occur phase by phase and we use the pre-sale proceeds to fund a significant portion of the project construction cost for the relevant project.

For details of the laws and regulations governing pre-sales, please refer to the section headed "Regulation — The Land System of the PRC — Pre-sale and Sale."

Handover

In relation to our properties for sale, after construction is completed, we will need to obtain a completion and acceptance certificate (竣工驗收證明) from the relevant local governments before we are able to hand over the properties to our customers. In Shanghai, there is an additional requirement for us to obtain a delivery certificate (交付使用許可證) in respect of our completed residential properties before handover can be effected. As required by the applicable regulations, we provide, without charge, both the "Internal Furnishing Quality Control Certificate" (室內裝修質量合格證書) and the "Air Quality Control Certificate" (室內空氣質量檢驗合格證書) to the owners of our residential units in Shanghai upon handover. The initial owners also receive a residence quality warranty against certain defects and a homeowner's guidebook from us. We believe such certificates and warranty evidence our construction standards and have contributed to our high customer satisfaction rate.

Payment and End-user Financing

Purchasers of our properties can choose between payment by installments or lump sum payments. Where a purchaser chooses to pay by installments, at least 30% of the purchase price is typically required to be made as a down payment when the sales contract is entered into. Mortgages will be arranged for the remaining purchase price and the full purchase price must be paid within six months from the date of the sales contract or by the delivery of the unit whichever is earlier. In line with market practice, we have arrangements with various banks for the provision of mortgage facilities to our purchasers and we provide guarantees for these mortgages until completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks.

In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on credit checks conducted by the relevant bank. To date, there have only been a few cases of default on residential mortgages guaranteed by us. We were subsequently involved in legal proceedings with respect to these defaults and successfully recovered our claims. As a result, we did not suffer any financial loss from these defaults. For more details on the risks associated with guaranteeing mortgages, please refer to the section headed "Risk Factors — Risk Relating to Our Business — We guarantee mortgage loans of our customers and may be liable to the mortgage banks if our customers default on their mortgage payments".

After-sale Services

We have a specialized customer service team designated to provide comprehensive after-sale services to our customers, which include assistance in financing applications, title registration and obtaining relevant title certificates. We also engage international property management partners to provide a high standard of property management and after-sale services to our customers. In addition, we have engaged Shimao First Pacific, in which we hold a 50% interest, to provide property management services to Kunshan Shimao Butterfly Bay and Changshu Shimao The Center.

Our Hotels and Investment Properties

Overview

We focus on large-scale property development projects, many of which have a combination of residential, hotels, retail and office properties. All of our residential properties are held for sale, while our hotels and some of our retail and office properties are held for investment purposes. In recent years, we have expanded into the hotel, retail and office property sectors.

Hotels

We have completed three hotels in Shanghai, namely, the Shanghai Le Méridian Sheshan, the Le Royal Méridian Shanghai and the Hyatt on the Bund Shanghai and one in Mudanjian, namely the Holiday Inn Mudanjian, which are operated by our hotel operating management partners. We are also developing and plan to develop a number of other hotels in Shanghai, Nanjing, Wuxi, Xuzhou, Taizhou, Hangzhou, Shaoxing, Jiaxing, Ningbo, Yantai, Qingdao, Tianjin, Dalian, Wuhan, Wuhu, Xianyang, Shenyang, Chengdu, Fuzhou and Xiamen. We intend to hold these hotels for investment purposes when they are completed. We have already entered into management contracts with the Hyatt, Starwood, Intercontinental and Hilton Groups with respect to a number of these hotels. We plan to enter into similar management contracts for some of our other hotels that are under development or planning. In return for managing and operating these hotels, we agree to pay our hotel operating management partners a basic management fee based on a percentage of the relevant hotel's total revenue, and an incentive fee with reference to the relevant hotel's gross operating profit. We have also signed a letter of intent with the Hilton Group with respect to some of our hotels under development or planning. In addition, we have established our own hotel management companies, S Hotels International Management Company Limited and Shanghai S Hotels Management Company Limited in Shanghai, in order to manage some of our other hotels under development or planning.

In October 2010, we entered into an agreement with Hilton Worldwide in Shanghai covering global strategic hotel management cooperation. Under the agreement, we will cooperate with Hilton Worldwide in the development of the "Hilton" and "Conrad" brands at hotels in eight tier-one and tier-two cities in China, including Tianjin, Nanjing, Wuhan, Shenyang, Yantai, Wuxi, Xiamen and Qingdao. These projects are expected to be in operation in 2011 and thereafter.

The table below sets out certain information relating to our hotels which had been completed, as of June 30, 2010:

	Hotel GFA (sq.m.)	Number of Rooms	Ownership Interest	Management Partner	Date of Full Opening	Term Under the Operating Management Agreement
Shanghai Le Méridien Sheshan	69,328	327	100%	Starwood	April 2006	10 years from the date of full opening, renewable for a further five years
Le Royal Méridien Shanghai...............................	99,696	770	100%	Starwood	December 2006	10 years from the date of full opening, renewable for a further five years
Hyatt on the Bund Shanghai.	100,972	631	100%	Hyatt	November 2008	20 years from the date of full opening
Holiday Inn Mudanjian.........	32,630	266	100%	Intercontinental	October 2010	10 years from the date of full opening, renewable for a further five years

The table below sets out certain information relating to our hotels which were under development or planning as of June 30, 2010:

	Estimated Date of Completion	Estimated Hotel GFA (sq.m.)	Estimated Number of Rooms	Ownership Interest	Management Partner
Hilton Nanjing	2011	77,296	419	82%	n/a[(1)]
Holiday Inn Shaoxing	2011	39,574	306	64%	Intercontinental
Crown Plaza Shaoxing	2012	82,000	452	100%	Intercontinental

	Estimated Date of Completion	Estimated Hotel GFA (sq.m.)	Estimated Number of Rooms	Ownership Interest	Management Partner
Wuhu Hotel	2011	63,948	500	100%	n/a[(4)]
Wuxi Hilton	n/a	47,000	360	61%	Hilton[(2)]
S-Hotel Jiaxing	2013	30,000	300	100%	S Hotels International[(3)]
S-Hotel Ningbo Beilun	2012	33,000	230	100%	S Hotels International[(3)]
Ningbo Chunxiao Hotel	2012	31,000	200	100%	n/a[(4)]
S-Hotel Taizhou	2011	30,000	300	100%	S Hotels International[(3)]
S-Hotel Xuzhou	2012	23,000	200	100%	S Hotels International[(3)]
Hangzhou Project	n/a	40,000	350	50%	n/a[(4)]
InterContinental Shanghai Wonderland	2012	59,253	338	64%	Intercontinental
InterContinental Fuzhou	2012	64,348	320	100%	Intercontinental
Hilton Riverside Wuhan	n/a	44,324	330	100%	Hilton[(2)]
Wuhan Caidian I	2013	40,000	350	100%	n/a[(3)]
Wuhan Caidian II	2013	42,000	300	100%	n/a[(1)]
Dalian Jinzhou I	2013	35,000	300	100%	n/a[(3)]
Dalian Jinzhou II	2013	42,000	300	100%	n/a[(3)]
Dalian Jinzhou III	2015	42,000	300	100%	n/a[(3)]
Dalian Jinzhou IV	2015	45,000	300	100%	n/a[(3)]
Hilton Tianjin	2011	79,726	300	75%	n/a[(1)]
Hilton Shenyang	2012	40,320	332	100%	Hilton[(2)]
Hilton Yantai	2013	56,800	350	100%	Hilton[(2)]
Xianyang Project	n/a	30,000	333	60%	n/a[(3)]
Chengdu Longquanyi Project	n/a	30,000	300	100%	n/a[(3)]
Conrad Xiamen	2013	45,000	264	82%	n/a[(1)]
Conrad Qingdao	2013	42,000	300	48%	n/a[(1)]

Notes:

1. *As of June 30, 2010, we were in negotiation with the Hilton Group for the hotel management and operation arrangement.*
2. *As of June 30, 2010, we had entered into a letter of intent with the Hilton Group in relation to these hotels.*
3. *We plan to manage these hotels through S Hotels International Management Company Limited, our own hotel management company.*
4. *As of June 30, 2010, no agreements had been entered into in relation to these hotels.*

Our hotel department is responsible for formulating the strategies for our hotel operations. For certain of our hotels, in particular the high-end hotels, our strategy is to enter into hotel management agreements with international hotel operators. In selecting our hotel management partners, we consider factors including the relevant experience, reputation and the track record of the candidates. We believe that by partnering with international hotel operators, we are able to enhance the profile of our hotels, and benefit from our partners' expertise in hotel management and their global marketing, advertising and procurement capabilities. The hotel management partners are responsible for managing the daily operation of the hotels in all aspects, including recruiting and training of staff members and setting room rates and other charges and the strategies of the hotels. Our target customers are mid- to high-end international and domestic travelers. For some hotels in second-tier cities, we plan to manage them through S Hotels International Management Company Limited, our own hotel management company.

We expect to continue to receive recurring income stream from the operation of the hotels, including income derived from room rent, food and beverage sales and provision of other goods and services in our hotels.

Investment Properties

As of June 30, 2010, we had a total GFA of approximately 536,254 sq.m. of properties available for rent, of which substantially all had been rented out. The table below sets out certain information relating to our completed investment properties, including those that have been reclassified as investment properties, as of June 30, 2010:

Property	Location	Total Rentable GFA	Date of Completion	Ownership Interest Attributable to us
		(sq.m.)		(%)
Shanghai Shimao International Plaza	Shanghai	71,239	May 2007	100%
Beijing Shimao Tower	Beijing	70,175	June 2008	64%
Changshu Shimao the Center	Changshu	47,202	January 2009	64%
Shanghai Shimao Plaza	Shanghai	9,585	November 1996	64%
Suzhou Shimao Canal City	Suzhou	24,492	June 2010	64%
Kunshan Shimao Plaza	Kunshan	88,249	September 2009	64%
Wuhu Shimao Plaza Project	Wuhu	40,807	September 2009	64%
79-85 Guizhou Road	Shanghai	2,900	1995	64%
Shaoxing Shimao Plaza	Shaoxing	181,605	May 2010	64%
Total		536,254		

The table below sets out certain information relating to our investment properties under development and held for future development as of June 30, 2010:

Property	Location	Total Planned Rentable GFA	Estimated Date of Completion	Ownership Interest Attributable to Us
		(sq.m.)		(%)
Beijing Shimao International Plaza	Beijing	82,724	2011	64%
Wuhu Shimao Plaza Project	Wuhu	46,520	2012	64%
Kunshan Shimao International City	Kunshan	85,724	2012	64%
Hangzhou Shimao Plaza Project	Hangzhou	134,276	2013	64%
Wuhan Shimao Carnival Project	Wuhan	473,551	2013	64%
Xuzhou Shimao Plaza	Xuzhou	96,037	2011-2013	64%
Suzhou Shimao Canal City	Suzhou	105,289	2014	64%
Shenyang Shimao Plaza Project	Shenyang	49,459	2014	64%
Qingdao Shimao Tower	Qingdao	63,431	2015	64%
Xiamen Shimao Tower	Xiamen	153,045	2015	64%
Total		1,290,056		

We have a leasing department which is responsible for formulating the strategies for our rental properties. Our current strategy is to enter into long-term tenancy agreements with anchor retail tenants and operation management agreements with retail property operators for the entire retail properties which we hold for investment purposes. In selecting our anchor retail tenants or retail property operators, we consider factors including the relevant experience, reputation and the track record of the candidates. We believe that anchor retail tenants and retail property operators are able to provide expertise in retail management, promote the image of our rental properties and also reduce the administrative responsibility of having to liaise with individual tenants directly. The anchor retail tenants and retail property operators are responsible for all aspects of managing the daily operation of the shopping mall, including recruiting and training staff for the shopping mall and coordinating the leasing and subleasing of business. Our target tenants and subtenants are mid to high-end retail stores, restaurants and supermarkets.

According to our strategy for our retail properties, we have entered into an operation management agreement with Shanghai Brilliance (Group) Co., Ltd. ("Shanghai Brilliance") as the operator in relation to Phases 1 and 2 of the shopping mall at Shanghai Shimao International Plaza. In return for managing the operation of the shopping mall, we pay Shanghai Brilliance a fixed monthly management fee subject to adjustment at year end with reference to the turnover of the shopping mall. Shanghai Brilliance will guarantee a minimum level of turnover, less certain operational costs, and will reimburse us for any such shortfall.

In addition, we have entered into strategic cooperation partnership agreements with over 380 strategic retail partners including McDonalds, Starbucks, Watsons, Decathlon, B&Q, Auchan, Parkson, Warner Bros, Mister Donut, Haoledi KTV and Esprit in relation to our rental properties, under which these domestic and international retailers from various segments rent our properties for a specified period, generally from three years to 20 years with an option to extend upon mutual consent. In return, we develop properties which meet the requirements of our strategic retail partners. We intend to enter into similar strategic cooperation partnership agreements, in addition to long-term tenancy agreements with anchor retail tenants and operation management agreements with retail property operators, prior to or upon the completion of our other retail properties which are to be held for investment purposes.

Competition

The market for real estate development in China has evolved significantly over the past decade. In addition to Chinese real estate developers, a number of overseas real estate developers are active in China. In April 2004, the PRC Government announced a six month moratorium on land auctions. In June 2004, the PRC Government further issued policies to reduce the number of property projects that involve redevelopment or relocation of existing residents. These policies further increased competition among real estate developers as the amount of land available for property development was reduced. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — Increasing competition in the PRC, particularly in the Yangtze River Delta and the Bohai Rim, may adversely affect our business and financial condition" and for details of the policies, please refer to the sections headed "Regulation — The Land System of the PRC — National Legislation" and "Regulation — The Land System of the PRC — Resettlement."

Our existing and potential competitors include major domestic State-owned and private developers and foreign real estate developers (including leading developers listed in Hong Kong) who focus on the high-end and/or upper mid-tier property markets in China. We believe that through our experience in developing large scale, high quality properties and our in-depth understanding of the Chinese real estate market, we will be able to react more quickly when competing with these property developers to identify and secure desirable opportunities.

Intellectual Property

We place significant emphasis on developing our brand image and resort to extensive trademark registrations to protect all aspects of our brand image. As of October 31, 2010, we had registered four trademarks in the PRC, four trademarks in the United Kingdom and five trademarks in Hong Kong. "Shimao" and "世茂" are our primary trademarks. We have also registered a device with respect to such primary trademarks.

Under Hong Kong and PRC law, a registered trademark owner has exclusive rights in the registered trademark. Any unauthorized use of a registered trademark (unless such use constitutes "fair use" as defined by law), will constitute infringement of the trademark owner's exclusive right. The licensing agreements to be entered into pursuant to a trademark framework agreement will be governed by Hong Kong or PRC law, and the courts of Hong Kong or the PRC (as applicable) will have exclusive jurisdiction to settle any disputes arising under these agreements. The trademark licensing agreement entered into between our Group and the head tenant of our shopping mall in Shanghai Shimao International Plaza is governed by PRC law, and the courts of the PRC have exclusive jurisdiction to settle any disputes under this agreement.

Insurance

With respect to our properties under development over which our lending banks have security interests, we obtained insurance coverage in accordance with the requirements of the loan documents. We do not, however, maintain property damage or third-party liability insurance for our other property developments. Under PRC law, these types of insurance are not mandatory. With respect to our completed residential properties managed by our property management companies, we maintain insurance to cover losses arising from fire, asset damages and third party liabilities until the properties are sold and delivered to our customers. Our completed residential properties managed by third parties are typically insured by such third party property management companies, and we do not maintain insurance for such properties. With respect to our completed investment properties and hotels, we maintain a variety of insurance policies, including fire insurance, all-risk insurance and asset insurance. We also maintain business disruption insurance policies for our owned shopping malls. In addition, we maintain on a voluntary basis personal accidental insurance and supplementary commercial medical insurance for our employees. We may re-evaluate the risk profile of the property markets and adjust our insurance practice from time to time.

Employees

As of November 30, 2010, we had 1,844 full time employees. The following table provides a breakdown of our employees by responsibilities as of November 30, 2010:

Management	53
Corporate Affairs	8
Administration	145
Accounting	205
Human Resource	75
Engineering	489
Marketing and Sales	452
Design	17
Property Management	20
Cost Control (Construction)	161
Information Technology	34
Customer Service	82
Legal	37
Treasury	5
Auditing	11
Investment Development	2
Operation Management	5
Hotel Management	13
Procurement	30
Total	1,844

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. 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 monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

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.

Environmental Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. Please refer to the section headed "Regulation — the Land System of the PRC — Environmental Protection" for details of these environmental laws and regulations. Each of our property developments is required to undergo environmental assessments and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of property development. For certain of our projects, we did not submit the environmental impact assessment documents although we have obtained the relevant government approvals to commence the development of these projects. Please refer to the section entitled "Risk Factors — Risks Relating to Our Business — Potential liability for environmental problems could result in substantial costs." On the completion of each property development, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then presented together with other specified documents to the local construction administration authorities for their record. We have not experienced any problems in the inspections conducted by the relevant authorities upon handover of our properties.

Legal Proceedings

We are not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

The Land System of the PRC

All land in the PRC is either State-owned or collectively-owned, depending on the location of the land. All land in the urban areas in a city or town is State-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively-owned. The State has the right to resume land in accordance with law if required for the benefit of the public.

Although all land in the PRC is owned by the State or by collectives, private individuals, enterprises and other organizations are permitted to hold, lease and develop land for which they are granted land use rights.

National Legislation

In April 1988, the Constitution of the PRC (the "Constitution") was amended by the National People's Congress (全國人民代表大會) to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law (中華人民共和國土地管理法) of the PRC was amended to permit the transfer of land use rights for value.

Under the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (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) ("Urban Land Regulations") promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights upon payment of a grant premium.

Under the Urban Land Regulations, there are different maximum periods of grant for different uses of land. They are generally as follows:

Maximum period use of land	In years
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Public utilities	50
Others	50

Under the Urban Land Regulations, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully granted land use rights prior to expiration of the term of grant. If public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. A land user may lawfully assign, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings thereon will revert to the State without compensation.

The National People's Congress adopted the PRC Property Rights Law (中華人民共和國物權法) in March 2007, which became effective on October 1, 2007. According to the Property Rights Law, when the term of the right to use construction land for residential(but not other) property purposes expires, it will be renewed automatically.

In order to stop illegal occupation and abusive use of land, prevent overheating in investment in fixed assets in some areas, and implement strict protection of cultivated land, the General Office of the State Council (國務院辦公廳) issued the Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (關於深入開展土地市場治理整頓嚴格土地管理的緊急通知) on April 29, 2004.

The notice addresses issues including, (i) continuing the rectification of the land market by cooperation between the PRC Ministry of Land and Resources (authorities on problems existing in the grant of State-owned land use right by way of tender, auction and invitation for bidding; (ii) strictly administering approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for occupying and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the notice, the rectification of the land market will take approximately half a year from the issuance of the notice. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout China during this period, except for certain major public infrastructure projects which shall be approved by the State Council.

On March 26, 2005, the General Office of the State Council promulgated a Notice on Effectively Stabilizing House Prices (關於切實穩定住房價格的通知) to restrain the excessive growth of house prices and promote the sound development of the real estate market. The notice provided that housing prices should be stabilized and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council including the Ministry of Construction issued an Opinion on the Work of Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) on April 30, 2005. The opinion stated, amongst the others, that: (i) the local government should focus on increasing the supply of low to medium-end ordinary residential houses while controlling the construction of high-end residential houses; (ii) to curb any speculation in the real estate market, business taxes would be levied from June 1, 2005 on the total revenue arising from any transfer by individuals of houses within two years upon their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住宅) by individuals after two or more years upon their purchase thereof; and (iii) the real estate registration department will no longer register the transfer of apartment units which are pre-sold, where such units have not obtained the relevant Real Estate Ownership Certificates.

On May 24, 2006, the General Office of the State Council further issued a Notice on Adjusting the Housing Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The notice provided for six broad measures including but not limited to the following specific directives to (i) encourage mass-market residential developments and to curb the development of high-end residential properties; (ii) enforce the collection of business taxes on property sales (business taxes will be levied on the entire sale price of any property sold within five years, or on the profit arising from any property sold after five years subject to possible exemptions for ordinary residential properties); (iii) restrict housing mortgage loans to not more than 70% of the total property price (for houses purchased for self-residential purposes and with an area of less than 90 sq.m., the owners are still able to apply for housing mortgage up to an amount representing 80% of the total property price); (iv) halt land supply for villas projects and restrict land supply for high-end, low density residential projects; (v) moderate the progress and scale of demolition of old properties for redevelopment; (vi) local governments are also required to ensure that at least 70% of the total development and construction area also must consists of units of less than 90 sq. m. in size (with any exceptions requiring the approval of the Ministry of Construction); and (vii) banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project. On August 30, 2006, the State Council published the Notice by the State Council on Strengthening the Regulation and Control of the Land (關於加強土地調控有關問題的通知), which regulates the management of land in the PRC and also the protection of cultivated land. According to the notice, land designated for industrial purposes shall be granted by way of tender, auction and putting up for bidding, but in any event shall not be sold below the reserve price.

In May 2006, the Ministry of Land and Resources published an Urgent Notice to Tighten Up Land Administration (當前進一步從嚴土地管理的緊急通知). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten up the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing. In this notice, the Ministry of Land and Resources also required the local governments to conduct thorough investigations of illegal land use and submit a report on such investigations to the Ministry by the end of October 2006.

In September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties and Further Strengthening Macro-control of Land Supply (關於認真貫徹國務院〈關於解决城市低收入家庭住房困難的若干意見〉進一步加强土地供應調控的通知), pursuant to which, at least 70% of the land supply arranged by the relevant land administration authority at city or county level for residential property development for any given year must be used for developing low- to medium-cost and small-to medium-size units, low-cost rental properties and affordable housing.

In order to encourage the consumption of the ordinary residence and support the real estate developer to handle the market change, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見) in December 2008. Pursuant to this opinion, in order to encourage the consumption of the ordinary residence, from January 1, 2009 to December 31, 2009, business tax is imposed on the full amount of the sale income upon the transfer a non-ordinary residence by an individual within two years from the purchase date. For the transfer of non-ordinary residence which is more than two years from the purchase date and ordinary residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favorable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to "low-to-medium-level price" or "small-to-medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of 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 guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down-payment of 40% of the purchase price.

On April 17, 2010, the State Council Issued Notice on Resolutely Containing the Excessive Hike of Property Price in Some Cities (堅决遏制部分城市房價過快上漲的通知) (the "April 17 Notice"), which provides that where the first home purchaser (including a borrower, his or her spouse and children under 18) buy a residence with a unit floor area of more than 90 sq.m. for self use, the minimum down payment shall not be less than 30%; where for the second home buyers that use mortgage financing, it is required that the minimum down payment shall be 50% of the purchase price with minimum mortgage lending interest rate at the rate of 110% of the benchmark rate; where a third or further buyers that use mortgage financing, the minimum down payment and interest rate thereof shall be further substantially raised. The April 17 Notice, further requires that in cities where property price is overly high with excessive price hike and strained house supply, commercial banks may in light of risk exposure suspend extending bank loans for a third or further buyers; also provision of housing loans shall be suspended to non-local residents who cannot present the local tax returns or social insurances certification of more than one (1) year.

On April 30, 2010, Beijing Municipal Government issued the Circular on Implementation of the Notice on Resolutely Containing the Excessive Hike of Property Price in Some Cities by the State Council (北京市人民政府貫徹落實國務院關於堅决遏制部分城市房價上漲文件的通知) in response to the April 17 Notice. Under the circular, one household is allowed to purchase only one residential property in Beijing, effective from the date of issuance of the Circular.

On May 26, 2010, the Ministry of Housing and Urban-Rural Development, the PBOC and the CBRC jointly issued the Circular on Regulating the Criteria for Indentifying the Second Housing Unit in Connection with Commercial Mortgage 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 housing units owned by an individual purchaser who is applying for mortgage loans shall be determined by taking into account of all housing units 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 purchasers of second or subsequent housing units shall be subject to different credit policies when applying for mortgage loans.

On September 21, 2010, the Ministry of Land and Resources and the MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知), which stipulated, among others, that:

(i) at least 70% of land designated for construction of urban housing must be used for low-income housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, supply of land designated for small to medium-sized, price-capped housing must be increased; prior to the satisfaction of the above, local authorities shall not supply land for the construction of high-end and large-sized housing;

(ii) developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of misconducts, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to their own business reasons; and (3) non-compliance with the land development requirements specified in land grant contracts;

(iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete the construction within three years of commencement; and

(iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1.

On September 29, 2010, the PBOC and the 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通知), which (i) raised the minimum down payment to 30% for all first home purchases with mortgage loans, (ii) required commercial banks in China to suspend mortgage loans to customers for their third residential property purchases and beyond or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period, and (iii) restricted the grant of new project bank loans or extension of credit facilities for all property companies with non-compliance records of, among others, holding idle land, changing the use of land other than for its designated purpose, postponing construction commencement or completion or hoarding properties.

On November 2, 2010, the MOHURD, the Ministry of Finance and the PBOC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Fund Loans (關於規範住房公積金個人住房貸款政策有關問題的通知), which provided that, among other things, (i) where a first house purchaser (including the borrower, spouse and minor children) uses housing funds to buy an ordinary house for self-use with a unit floor area of (a) less than 90 sq.m. (and including 90 sq.m.), the minimum down payment shall not be less than 20%, (b) more than 90 sq.m., the minimum down payment shall not be less than 30%; (ii) for a second house purchaser that uses housing funds, the minimum down payment shall not be less than 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing fund loan shall be only available to families whose per capita housing area is below the average in the locality and such loan is only used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing fund loans to families for their third residential property and beyond are suspended.

On November 4, 2010, the MOHURD and the SAFE jointly promulgated the Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals (關於進一步規範境外機構和個人購房管理的通知), pursuant to which an overseas individual can only purchase one house for self-use within the PRC and an overseas institution which had established a branch or representative office in the PRC can only purchase non-residential houses for business use in the city where it is registered within the PRC.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which, among other things, provides that (i) cities and counties that have less than 70% of their land supply designated for affordable housing, redevelopment housing for shanty towns or small/medium-sized residential units shall not provide land for large-sized and high-end housing before the end of 2010; (ii) local land and resources authorities shall file a transaction report with the Ministry of Land and Resources and provincial land and resources authorities, respectively, in relation to land sold via tender, auction and listing-for-sale with a 50% or more premium; and (iii) where land designated for affordable housing is used for the development of commodity properties, any illegal income derived therefrom shall be confiscated and the relevant land use rights shall be terminated. In addition, changing the plot ratio without approval is strictly prohibited.

On January 26, 2011, the General Office of the State Council issued the Notice on Relevant Issues of Further Improvement of the Control in Real Estate Market《進一步做好房地產市場調控工作有關問題的通知》. This notice, among others, provides that:

(i) individuals selling houses within five years of purchase will be charged business taxes on the full amount of the sale price of such houses, whether ordinary or non-ordinary;

(ii) the minimum down payment for second house purchases is raised from 50% to 60%;

(iii) the PRC government will forfeit the land use rights and impose an idle land fee of up to 20% of the land premium if a developer fails to obtain a construction permit and commence development for more than two years from the commencement date stipulated in the land grant contract; and

(iv) municipalities directly under the Central Government, municipalities with independent planning status, provincial capitals and cities with high housing prices shall limit the number of homes that local residents can buy in a specified period. In principle, local resident families that own one house and non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for a required period are permitted to purchase only one additional house (including newly-built houses and second-hand houses). Sales of properties to (a) local resident families who own two or more houses, (b) non-local resident families who own one or more houses, and (c) non-local resident families who cannot provide local tax clearance certificates or local social insurance payment certificates for a required period, shall be suspended in local administrative regions.

In order to implement the Notice on Relevant Issues of Further Improvement of the Control in Real Estate Market, many cities have promulgated new measures to restrict the number of houses one family is allowed to purchase.

On February 16, 2011, the Beijing Municipal Government promulgated the Notice on Further Strengthening Control over Beijing Property Market (北京市人民政府辦公廳關於貫徹落實國務院辦公廳文件精神進一步加強本市房地產市場調控工作的通知), which, among other things, provides that (i) a local family that owns one house in Beijing (including a family that holds an effective Beijing Certificate for Work and Residence), and (ii) a non-local family with an effective Certificate for Temporary Residence that does not own a house in Beijing and has paid social insurance or individual income tax for five consecutive years, are permitted to purchase one additional house in Beijing (including newly-built and second-hand houses). Furthermore, (i) a local family that owns two or more houses in Beijing, and (ii) a non-local family that owns one house or more in Beijing, or fails to provide both an effective Certificate for Temporary Residence and evidence of payment of social insurance or individual income tax for consecutive five years, is suspended from purchasing a new house in Beijing. In addition to Beijing other cities, including Shanghai, Nanjing, Qingdao, Chengdu and Harbin have also announced new purchase limit policies which are substantially similar to the requirements set forth in the Notice on Relevant Issues of Further Improvement of the Country in Real Estate Market.

Grant

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the State to a person to entitle him to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

Under the Urban Land Regulations, there are three methods by which land use rights may be granted, namely by agreement, tender or auction.

On June 11, 2003, the Ministry of Land and Resources promulgated the Regulation on Grant of State-owned Land Use Rights by Agreement (協議出讓國有土地使用權規定). According to such regulation, if there is only one intended user on a piece of land, the land use rights (excluding land use rights used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate the plan concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. The local land bureau and the person who is interested will negotiate and enter into the grant contract based on such plan. If two or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or putting up for bidding. Furthermore, according to the Rules Regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction and Putting up for Bidding (招標拍賣掛牌出讓國有土地使用權規定) (the "Land Use Grant Rules") which are effective from July 1, 2002, land use rights for properties for commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction or putting up for bidding.

Where land use rights are granted by way of tender, invitations to tender will be issued by the local land bureau. The invitation will set out the terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land bureau to consider tenders which have been submitted. The successful bidder will then be asked to sign the grant contract with the local land bureau and pay the relevant land premium within a prescribed period. The land bureau will consider the following factors: the successful bidder shall be either the bidder who can satisfy the comprehensive evaluation criteria of the tender, or who can satisfy the substantial requirements of the tender and also offers the highest bid.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the bidder with the highest bid. The successful bidder will be asked to enter into a grant contract with the local land bureau.

Where land use rights are granted by way of bidding, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bidding and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid and which satisfies the terms and conditions. The successful bidder will then enter into a grant contract with the local land bureau.

In Shanghai, on May 21, 2001 and November 27, 2008, the Municipal Government (上海市人民政府) updated the Shanghai Land Use Rights Grant Measures (上海市土地使用權出讓辦法) (the "Shanghai Measures"), which took effect from July 1, 2001. According to provisions of the Shanghai Measures, the land use rights to be used for the projects relating to commercial, tourism, entertainment, financial, service and commodity residential properties shall be obtained by way of public tender or auction. However, if the grant of land use rights is approved by Shanghai Municipal Government (上海市人民政府), grant by way of agreement is also allowed as an exception. This was followed by the promulgation of the Land Use Grant Rules, under which land use rights for the purposes of commercial use, tourism, entertainment and commodity residential properties can only be granted through tender, auction or putting up for bidding. A number of measures are provided by the Land Use Grant Rules to require that (i) such grant of land for commercial use is conducted openly and fairly, for instance, the local land bureau, when deciding on land use purpose of a certain piece of land, must take into account various social, economic and planning considerations, and its decision of land use designation is subject to approval by the city or provincial government; (ii) the announcement of tender, auction or putting up for bidding be made 20 days prior to the date of beginning the tender, auction or putting up for bidding; and (iii) for putting up of bidding, the time period of accepting bidding not to be less than ten days.

Upon signing of the contract for the grant of land use rights, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local land bureau for the issue of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for renewal of the term. Upon approval by the relevant local land bureau, a new contract shall be entered into to renew the grant, and a grant premium shall be paid.

In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) to require that land for industrial use, except land for mining, must also be granted by tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加强土地出讓收支管理的通知). The Notice raises the minimum down-payment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

Ministry of State Land and Resources promulgated Notice on Problems Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加强房地產用地供應和監管有關問題的通知) (the "Notice") on March 8, 2010. According to the Notice, the land provision for affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice also requires that the lowest land grant price should not less than 70% of the basic land price in which the granted land is located and the real estate developers' bid deposit should not less than 20% of the lowest grant price. The land grant agreement must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50% and must be paid within 1 month after the execution of the land grant agreement. The rest payment should be paid in accordance with the agreement, but not later than one year. If the land grant agreement is not executed in accordance with the requirement above, the land should not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions for land grant contracts. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total gross floor area and height limitations, construction of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant local land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the added value of the new use. Registration procedures must then be carried out immediately.

Pursuant to the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知) jointly promulgated by the Ministry of Land and Resources and the MOHURD on September 21, 2010, the grant of two or more bundled parcels of lands and undeveloped lands is prohibited.

Withdrawal of Land

According to the Law of Administration of Urban Real Property (中華人民共和國城市房地產管理法) (the "Urban Real Property Law"), where a real property development is carried out on land for which the land use rights are acquired by means of grant, the land must be developed in line with the specified use for the land and the deadline for commencement of development set out in the land grant contract. Where the development does not commence within one year from the specified date set out in the land grant contract, an idle land fee may be charged at a rate equivalent to not more than 20 per cent of the relevant land premium. Where the development does not commence within two years from the specified date, the relevant land use rights may be withdrawn without compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or delays in preliminary work necessary for the commencement of development.

According to the Measures on Disposal of Idle Land (閒置土地處置辦法), "idle land" refers to land granted for use but laying idle because the land user fails to commence development and construction before the specified commencement date without the consent of government which approved the use of the land. Where the land is deemed "idle land", relevant municipal or county land administrative departments ("Land Administrative Authorities") shall inform the land user and prepare a plan for the disposal of the idle land. Where the land is mortgaged, the mortgagee shall be informed to participate in the preparation of the disposal plan. The Land Administrative Authorities are responsible for implementing the disposal plan after such plan has been approved by the government which originally approved the use of the land.

The methods of disposal of idle land include, among others, the following:

(i) extending the development and construction period by no more than one year;

(ii) changing the use of the land, and continuing development and construction afterwards; and

(iii) arranging for temporary use of the land and re-approving the development after the original project satisfies the construction conditions, where the land has appreciated in value, the government will increase the land premium in accordance with the appreciated value.

Where the land is idle due to acts of government or relevant government departments and the land user has partly paid the compensation or requisition fee for the land, in addition to the methods provided above, the government may acknowledge the relevant land to the land user for the part of land which the land user has paid the compensation or requisition fee; while the remaining part of the land will be withdrawn by the government.

In January 2008, a Notice on Promoting Economization of Land Use (關於促進節約集約用地的通知) issued by the State Council urges the full and effective use of existing construction land and the preservation of farming land and emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land grant premium.

Transfer

After land use rights relating to a particular area of land have been granted by the State, unless any restriction is imposed, the party to whom such land use rights are granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the State. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas in the PRC have different conditions which must be fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract between the parties which must be registered with the relevant local land bureau at municipality or country level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the State are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under the Urban Real Property Law, real property that has not been registered and of which a title certificate has not been obtained in accordance with the law may not be assigned. Also, under the Urban Real Property Law, if land use rights are acquired by means of grant, the real property shall not be assigned before the following conditions have been met: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) more than 25% of the total amount of investment or development must have been made or completed; and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes have been satisfied.

Termination

A land use right terminates upon the expiration of the term of the grant specified in the land grant contract and the resumption of that right. Upon expiry, the land use right and ownership of the related buildings erected thereon and other attachments may be acquired by the State without compensation. The land user will take steps to surrender the land use right certificate and cancel the registration of the certificate in accordance with relevant regulations. A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a premium and effect appropriate registration for the renewed right.

The State generally will not withdraw a land use right before the expiration of its term of grant and for special reasons (such as in the public interests), it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Document of Title

In the PRC, there are two registers for property interests. Land registration is achieved by the issue of a land use right certificate by the relevant authority to the land user. It is evidence that the land user has obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issue of a building ownership certificate (房屋所有權證) or a real estate ownership certificate (房地產權證) ("Real Estate Ownership Certificate") to the owner. It is evidence that the owner has obtained building ownership rights in respect of the building erected on a piece of land. According to the Land Registration

Regulations (土地登記規則) promulgated by the State Land Administration Bureau (國家土地管理局) on December 18, 1995 and implemented on February 1, 1996, and the Administrative Rules on Registration of Urban Real Estate Property (城市房屋權屬登記管理條例) promulgated by the Ministry of Construction (建設局) on October 27, 1997 and implemented on January 1, 1998 and the Rules on Land Registration (土地登記辦法) promulgated by the Ministry of Land and Resources, all land use rights and building ownership rights which are duly registered are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are separate systems. However, in Shenzhen, Shanghai, Guangzhou and some other major cities, the two systems have been consolidated and a single composite real estate ownership certificate (房地產權證) will be issued evidencing the ownerships of both land use rights and the building erected thereon.

Mortgage and Guarantee

The grant of mortgage in the PRC is governed by the Security Law of the PRC (中華人民共和國擔保法) (the "Security Law") and by relevant laws regulating real estate. Under the Security Law, any mortgage contract must be in writing and must contain specified provisions including (i) the type and amount of the indebtedness secured; (ii) the period of the obligation by the debtor; (iii) the name, quantity, and ownership of the land use rights of the mortgaged property; and (iv) the scope of the mortgage. For mortgages of urban real properties, new buildings on a piece of land after a mortgage has been entered into will not be subject to the mortgage.

The validity of a mortgage depends on the validity of the mortgage contract, possession of the real estate certificate and/or land use right certificate of the mortgagor and registration of the mortgage with authorities. If the loan in respect of which the mortgage was given is not duly repaid, the mortgagee may sell the property to settle the outstanding amount and return the balance of the proceeds from the sale or auction of the mortgaged property to the mortgagor. If the proceeds from the sale of such property are not sufficient to cover the outstanding amount, the mortgagee may bring proceedings before a competent court or arbitration tribunal (where there is an agreement to recover the amount still outstanding through arbitration) in the PRC.

The Security Law also contains comprehensive provisions dealing with guarantees. Under the Security Law, guarantees may be in two forms: (i) guarantees whereby the guarantor bear the liability when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

The Security Law further provides that where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor's liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

Leasing

Both the Urban Land Regulations and the Urban Real Property Law permit leasing of granted land use rights and buildings thereon. However, leasing of land use rights obtained by allocation (劃撥) and of buildings on such allocated land is regulated by the Urban Land Regulations.

Leasing of urban real properties is also governed by the Measures for Administration of Leasing of Commodity Buildings (商品房屋租賃管理辦法) (the "Measures"), which was promulgated in accordance with the Urban Real Property Law and which took effect on February 11, 2011. Under the Measures, owners of buildings in the PRC are entitled to lease their buildings, and landlords and tenants are required to enter into a written lease contract which must contain certain specified provisions. The contract has to be registered with the relevant property administrative authority at municipality or country level within 30 days after its execution. A contract cannot be longer than the remainder of the term under the land grant contract. The tenant may, upon obtaining consent from the landlord, sublease the premises.

According to the Urban Real Property Law, where the owner of a house built on state-owned land leases his/her property and that the land use rights were obtained through allocation for the purpose of profit making, any proceeds derived from the land in the form of rent must be paid to the State.

Resettlement

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas (城市房屋拆遷管理條例) promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the "Resettling Party") should apply for a resettlement permit and provide monetary compensation or alternative residence for the residents to be resettled. The real estate administration authority will issue a resettlement notice after granting the resettlement permit, detailing the parties concerned, the properties affected and the period of the resettlement. The Resettling Party will then 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 GFA. 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 the people's court within three months from the ruling if they contest the ruling.

In order to prevent illegal demolition and removal, and overheating investment in some areas, the General Office of the State Council issued the Notice on Controlling the Scale of Demolition and Removal and Strengthening Administration of Demolition and Removal (關於控制城鎮房屋拆遷規模嚴格拆遷管理的通知) on June 6, 2004. The notice addresses issues including, but not limited to, the following: (i) strictly controlling the area of demolition and removal to ensure that the total area of demolition and removal is less than that of the previous year; (ii) strictly administering the procedures of demolition and removal, such procedures to be carried out in an open, fair and just manner; (iii) strengthening the supervision and administration of the compensation costs incurred for the demolition and removal, and ensuring the completion of the relocation; and (iv) strictly punishing certain illegal actions in relation to the demolition and removal.

On January 21, 2011, the State Council promulgated the Regulation on Expropriation and Compensation Related to Buildings on State-owned Land《國有土地上房屋徵收與補償條例》 (the "Expropriation and Compensation Regulation"), which replaced the Administration Rules of Demolition and Removal of Housing in Urban Areas. The Expropriation and Compensation Regulation provides that, among other things:

(i) buildings can be expropriated under certain circumstances for public interests, and only governmental authorities are permitted to conduct resettlement activities; real estate developers are prohibited from being involved in demolition and relocation procedures;

(ii) compensation shall be paid before the resettlement;

(iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property can apply to the real estate appraisal institution for re-appraisal; and

(iv) neither violence nor coercion may be used to force homeowners to leave sites, nor can certain measures, such as illegally cutting water and power supplies, be used in relocation work.

Property Development

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. A large tract development project consists of comprehensive development of an area to be suitable for industrial, leveling of the land and construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the land use rights of the developed area, or construct buildings on the land itself and sell or lease the buildings thereon.

Once the developer identifies a piece of land for development, it has to apply for a construction land use planning certificate (建築用地規劃許可證) from the relevant planning commission. Once this certificate is obtained, the developer will have to submit a detailed plan for the design of buildings and construction in order to obtain construction works planning permit (建設工程規劃許可證) and work commencement permit (建設工程施工許可證).

Environmental Protection

The laws and regulations governing the environmental requirements for real estate development in the PRC 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, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

Pre-sale and Sale

Pursuant to the Urban Real Property Law and the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法) (the "Administrative Measures") amended on July 20, 2004, commodity houses which have not been completed may be sold when certain conditions and/or requirements are satisfied.

Pre-sale of commodity houses is regulated by an approval system. Developers who intend to pre-sell their commodity houses shall apply to the relevant Real Estate Administration Department of the People's Government at city or country level (市、縣人民政府房地產管理部門) and obtain a pre-sale permit.

When commodity houses are pre-sold, the following requirements shall be satisfied according to the Urban Real Property Law and the Administrative Measures:

(i) the land premium in respect of the land use rights must be paid in full and the land use right certificate must have been obtained;

(ii) the construction works planning permit and the work commencement permit must have been obtained;

(iii) funds contributed to the development of the project shall amount to at least 25% of the total amount of the project investment, and project progress and the date of completion of the project for use must have been ascertained; and

(iv) the pre-sale approval must have been obtained.

The Ministry of Construction, National Development and Reform Commission jointly promulgated the Notice of Further Rectifying the Trade Order of Real Estate (關於進一步整頓規範房地產交易秩序的通知) on July 6, 2006. The purpose of this notice is to strengthen the regulation over the pre-selling of real estate. The notice provides that real estate development enterprises shall sell commodity residential properties within 10 days after obtaining the pre-sale permit.

On April 20, 2010, the MOHORD issued the Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale system of commodity houses (關於進一步加强房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity houses are not permitted to be pre-sold and the real estate developer are not allowed to charge the buyer any deposit or pre-payment or payment of the 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.

The relevant local pre-sale regulations have been issued in Shenzhen, Shanghai, Fuzhou, Xiamen, Qingdao and some other cities. Pursuant to the Regulations on the Transfer of Real Estate of Shanghai (上海市房地產轉讓辦法) (the "Regulations") announced on April 21, 2004, the pre-sale of commodity houses in Shanghai is subject to the above-mentioned pre-sale regulations as well as the following principal requirements:

(a) the construction work for commodity houses must have been completed up to the stipulated standard;

(b) the construction plan of the ancillary facilities must have been confirmed;

(c) a pre-sale fund escrow agreement with a local authorized real estate funding supervisory body must have been executed; and

(d) the covenant of use of the commodity houses must have been formulated and an initial property management service agreement must have been entered into with a real estate management company.

With regards to Shanghai property, according to the Approval Concerning the Adjustment of the Standard of Project Construction Schedule for Pre-sale of Commodity Houses (關於同意調整商品房預售應達到的工程進度標準的批覆) implemented by the Shanghai Municipal Government (上海市人民政府) on October 1, 2000, the rules concerning the stipulated standard referred to in sub-paragraph (a) of the preceding paragraph are supplemented as follows:

(i) for commodity houses consisting of seven storeys or less, the basic foundation work and the main structural construction of the building must have been completed; and

(ii) for commodity houses consisting of eight storeys or more, the basic foundation must have been completed and at least two-thirds of the main structural construction must have been completed, and at least seven storeys must have been completed in any event.

Pursuant to the Decisions Concerning the Transfer of Pre-sale Commodity Apartment Units (上海市人民政府關於預售商品房轉讓問題的決定) issued by the People's Government of Shanghai, with effect from April 26, 2004, the real estate registration department in Shanghai no longer accepts the registration of the transfer of a pre-sold apartment unit before the Real Estate Ownership Certificate has been obtained for such unit (房地產權證).

Pursuant to Several Opinions on Further Strengthening Regulation and Control of the Municipal Real Estate Market and Accelerating the Process of Housing Support (關於進一步加強本市房地產市場調控加快推進住房保障工作的若干意見) jointly promulgated by the Shanghai Municipal Housing Support and Building Administration Bureau and four other authorities on October 7, 2010, (i) commercial housing projects which obtain a construction work commencement permit after July 1, 2010 shall not be permitted to pre-sell until the main structural component of the building is completed and approved; (ii) the scope under a construction works planning permit and a work commencement permit, and the pre-sale scope of commercial housing shall not be less than 30,000 sq.m; and (iii) projects of less than 30,000 sq.m shall apply for and obtain a construction works planning permit, a work commencement permit and a pre-sale permit concurrently.

With regards to pre-sale of property in Beijing, according to the Administration Regulations on Transfer of Urban Real Estate of Beijing (北京市城市房地產轉讓管理辦法), which became effective from December 1, 2003 and was amended on December 6, 2008, the following conditions must be satisfied: (i) the land premium has been fully paid and the land use right certificate has been obtained; (ii) a construction land permit (城鎮建設用地批准書) has been obtained if the property units are categorized as low-income housing for pre-sale; (iii) the construction works planning permit and the work commencement permit have been obtained; (iv) the amount of funds allocated to the development of the project is no less than 25% of the total amount of the project investment; (v) the expected completion date has been determined, and is in conformity with the maximum pre-sale period announced by the Beijing Municipal Land and Property Administration Bureau (北京市國土房產局). To date, the authority has not made any mandate on such maximum pre-sale period.

On November 4, 2010, the Beijing Municipal Commission of Housing and Urban-rural Development promulgated the Notice on Strengthening Administration of Pre-sale Programs of Commercial Housing (關於加強我市商品房預售方案管理的通知), which provided that, when applying for a pre-sale permit for commercial housing, developers shall (i) provide pre-sale programs with details including, among others, construction schedules, the pre-sale plans of the relevant projects, the portion of commercial housing to be retained by the developer and other pre-sale details; (ii) after obtaining the pre-sale permit, arrange for sales to proceed in strict accordance with the pre-sale programs, which shall also be posted publicly at the sales offices; and (iii) not change the pre-sale programs in principle.

With regards to pre-sale of property in Nanjing, according to the Administration Regulations on the Trading of Real Estate of Nanjing (南京市房地產交易管理辦法), which came into effect on September 4, 2003, a property developer shall apply for the pre-sale permits/sale permits (銷售許可證) from the real estate administration bureaus at the city or county level of Nanjing, and shall comply with the following conditions: (i) the land premium has been fully paid and the land use right certificate has been obtained; (ii) the construction works planning permit has been obtained; (iii) the amount of funds allocated to the development of the projects is no less than 25% of the total amount of the project investment; (iv) the progress and the expected completion date of the construction work have been determined; (v) a pre-sale fund escrow agreement has been signed with banks registered in the same city; (vi) a covenant of the use of the properties has been formulated; and (vii) an initial property management services contract has been signed with a property management company. For completed property, the completion acceptance document (竣工驗收文件) shall be obtained before the property can be sold. For property units to be sold in the overseas market, an approval for the overseas sale is also required in addition to the conditions set out above.

In Shanghai, pursuant to the Certain Opinion Concerning the Merger of the Commodity Housing For Sale in Domestic and Overseas Markets (Hu Fu Fa [2001] No. 22) (關於本市內外銷商品住房並軌的若干意見 (滬府發 [2001] 22號) issued jointly by Shanghai Development Planning Committee (上海市發展計劃委員會), Shanghai Construction and Management Committee (上海市建設和管理委員會), Shanghai Foreign Investment Committee (上海市外國投資工作委員會), Shanghai Financial Bureau (上海市財政局), Shanghai City Planning Management Bureau (上海市城市規劃管理局) and Shanghai Real Estate and Land Resources Management Bureau (上海市房屋土地資源管理局) on June 25, 2001, the markets for domestic sale and overseas sale of commodity housing were merged, and domestic and overseas enterprises, organizations and individuals may purchase and/or lease commodity houses irrespective of whether the respective land use rights have been obtained before or after such merger.

Pursuant to the Notice Regarding the Adjustment to the Administration of Sale of Commodity Houses Sold in Domestic and Overseas Markets (關於調整本市內外銷商品房管理有關規定的通知) issued by Beijing Administration of Land, Resources and Housing (北京市國土資源和房屋管理局) on August 5, 2002 and implemented on September 1, 2002, the distinction between sales in the domestic market and the overseas market has been abolished in Beijing. A standard property unit pre-sale permit will be issued to any property unit project which meets the specified pre-sale conditions.

Real Estate Loans

On June 5, 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Loans (關於進一步加强房地產信貸業務管理的通知). According to the notice, the commercial banks shall focus their business towards supporting real estate projects targeted at mid to lower-income households and appropriately restrict the granting of real estate loans to projects involving spacious apartments, luxurious apartments and villas. The notice strictly prohibits banks from advancing working capital loans to real estate developers. When applying for a real estate loan, the real estate developer's own capital in any proposed real estate project should not be less than 30% of the total investment of the project. The notice also prohibits loans advanced for the payment of land premium for land use rights.

On August 12, 2003, the State Council (國務院) published the Notice by the State Council on Facilitating Sustained and Healthy Development of Real Estate Market (國務院關於促進房地產市場持續健康發展的通知), which provides a series of measures to control the real estate market, including but not limited to increasing the supply of common residential houses, controlling the construction of high-end commodity houses, and strengthening the supervision of the real property administration. The purpose of the notice is to create a positive influence on the long-term development of the real estate market in China.

On September 2, 2004, CBRC issued a Guideline for Commercial Banks of Risks of Real Estate Loans (商業銀行房地產貸款風險管理指引). According to the guideline, no loan shall be granted to projects which have not obtained the land use right certificate, construction land planning), construction works planning permit and work commencement permit. The guideline also stipulated that not less than 35% of the total investment in a property development project must come from the real estate developer's own capital for the project (項目資本金) in order for banks to extend loans to the real estate developer. In addition, the guideline requires commercial banks to set up strict approval systems for loan grants.

In September 2007, PBOC and CBRC promulgated a Circular on Strengthening the Management of Commercial Real-estate Credit Loans (關於加强商業性房地產信貸管理的通知), with a supplement issued in December 2007. The circular aims to tighten the control over real-estate loans from commercial banks to prevent granting excessive credit. The measures, among others, include: prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties. In addition, commercial banks are also banned from providing loans to the projects that have less than 35% of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction works planning permits or construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real-estate development loans provided by commercial banks should only be used for the projects where the commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

In July 2008, PBOC and CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land (關於金融促進節約集約用地的通知), requiring that relevant financial institutions to strengthen the administration of construction land project loans, including the administration of commercial real estate credit loan.

On February 1, 2010, the CBRC issued a Notice on Relevant Issues on Strengthening Administration of Real Estate Trust Business of Trust Companies (關於加强信托公司房地產信托業務監管有關問題的通知), which, among other things, provides that real estate projects must meet the following conditions to be eligible for loan financing from trust companies: (1) such projects must have obtained the land use rights certificates, construction land planning permits, construction works planning permits and construction permits; (2) developers or their controlling shareholders must be qualified as Class 2 or higher; (3) the capital ratio of the project must satisfy the minimum requirements set by the relevant authorities; and (4) trust companies may not provide trust funds to finance the land reserves.

Local Legislation

While the Urban Land Regulations set out a general framework for transactions relating to land use rights, various local legislation regulates specific transactions within specific areas relating to the grant and transfer of land use rights. Some of them are inconsistent with the national legislation. The central authority has taken the position that if there are inconsistencies the national legislation shall prevail.

Foreign Investment In Property Development

The Urban Land Regulations state that foreign entities may acquire land use rights in China unless the law otherwise provides. However, in order to develop the land acquired, foreign investment enterprises in the form of equity or co-operative joint ventures or wholly foreign-owned enterprises must be established.

Under the Catalog of Guidance on Industries for Foreign Investment 外商投資企業指導目錄 promulgated by MOFCOM and NDRC in October 2007, the development of a whole land lot, namely primary preparation of a land site including infrastructure construction and utility installation, solely by foreign investors, falls within the category of industries in which foreign investment is prohibited, the joint development of a whole land lot with the PRC partners, as well as the construction and operation of high-end hotels, villas, premium office buildings and international conference centers fall within the category of industries in which foreign investment is subject to restrictions, and other real estate development falls within the category of industries in which foreign investment is permitted. Establishment of a foreign investment enterprise engaged in property development, commonly referred to as a "development company", is subject to approval by the relevant departments of China's government in accordance with relevant laws and regulations. To establish a foreign investment enterprise, the joint venture partners must submit a project application report to the central or local development and reform authority for project approval. At the same time, the parties typically proceed to negotiate and execute the joint venture contract and articles of association for the establishment of development company. The project application report, the joint venture contract and/or articles of association shall then be submitted to the central or local foreign economic and trade authorities in their respective capacities for approval. Having obtained the approval certificate, the foreign investor and/or the domestic party can apply to the relevant industry and commerce authority for a foreign investment enterprise business license for the development company. In addition, all property development companies, including foreign investment enterprises, are also required to apply for a property development enterprise qualification certificate (房地產開發企業資質證書) from the central or local construction authority.

According to applicable laws, it is clear that the PRC government will protect investments by foreign investors and their legal rights, and will not nationalize or appropriate any Sino-foreign joint venture or any foreign wholly-owned enterprise unless it is in the public interest and the relevant foreign investors are appropriately compensated.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the National Development and Reform Commission, PBOC, SAIC and SAFE jointly promulgated the Opinions on Foreign Investment in Real Estate (關於規範房地產市場外資准入管理的意見), which states that: (i) an overseas entity or individual investing in real estate in China other than for self-use, shall apply for the establishment of a FIREE in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a FIREE with a total investment of US$10 million or more shall not be less than 50% of its total investment amount, whereas for FIREE with a total investment of less than US$10 million, the current rules on registered capital shall apply; (iii) a newly established FIREE can only obtain an approval certificate and business license which are valid for one year. The approval certificate and business license can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid; (iv) an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the MOFCOM. The investor shall submit a letter to the MOFCOM confirming that it will abide with the land grant contract, the construction land planning permit (建設用地規劃許可證) and the construction works planning permit (建設工程規劃許可證). In addition, the investor shall also submit the land use right certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid; (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital and shall ensure that the enterprise's employees and bank loans are treated and dealt with in accordance with applicable PRC laws; (vi) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans; (vii) the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; (viii) a branch or representative office established by a foreign investor in China (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

In May 2007, MOFCOM and SAFE issued the Circular on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector (關於進一步加强、規範外商直接投資房地產業審批和監管的通知) ("Circular 50"). Under Circular 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights and building ownership, or must have entered into pre-sale or pre-grant agreements with respect to the land use rights or building ownership. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with MOFCOM for record their approvals of establishment of FIREEs, and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

In July 2007, SAFE issued a Notice on the Distribution of the List of the First Group of Foreign Invested Real Estate Projects Filed with MOFCOM (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) ("Notice 130"), together with a list of FIREEs that had effected their filings with MOFCOM. According to Notice 130, SAFE will no longer process foreign debt registrations or applications by FIREEs for permission to purchase foreign exchange to service their foreign debt if such FIREEs have not obtained their approval certificates from the government before June 1, 2007. As a result of Notice 130, unless the approval certificate of an FIREE as of May 31, 2007 contained an aggregate investment amount, which includes its registered capital and foreign debt amount, sufficient to permit foreign currency to be injected into its operations in China, such FIREE effectively will no longer be able to borrow foreign debt including shareholder loans and overseas commercial loans to finance their operations in China. It can only use its capital contributions instead. SAFE further provided in its Notice 130 that it will not process any foreign exchange registration (or change of such registration) or application for settlement of foreign currency under capital account by any FIREE if it has obtained the relevant approval certificates from local government authorities on or after June 1, 2007 but has not completed its filing with MOFCOM.

In connection with the filing requirement, MOFCOM issued the Notice on the Proper Filings of Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知) in June 2008 to authorize the competent MOFCOM at the provincial level to verify and check the filing documents.

In addition, in December 2010, the MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry (關於加强外商投資房地產業審批備案管理的通知), which, among other things, provides that where a real estate enterprise is established in China with foreign capital, it is prohibited to purchase and/or sell real estate properties, completed or under construction, in China for arbitrage purposes. The local MOFCOM authorities shall not approve investment companies to engage in real estate development and management.

According to the Several Opinions of the State Council on Further Strengthening the Utilization of Foreign Investment (國務院關於進一步做好利用外資工作的若干意見) promulgated by the State Council in April 2010, and the Notice on Delegation of Power of Approval for Foreign Investment Projects (關於做好外商投資項目下放核准權限工作的通知) promulgated by NDRC in May 2010, except where approval by the relevant departments under the State Council is required by the Catalog of Guidance on Industries for Foreign Investment, foreign investment of less than US$300 million in encouraged and permitted industries may be examined and approved by NDRC's provincial branches. Pursuant to the Notice on Issues Related to Delegation of Powers of Examination and Approval of Foreign Investment to Authorities at Lower Levels (關於下放外商投資審批權限有關問題的通知) promulgated by the MOFCOM in June 2010, the MOFCOM's provincial branch is responsible for the examination and approval of establishments and changes of foreign-invested enterprises in encouraged or permitted industries of less than US$300 million, and in restricted industries of less than US$50 million.

Foreign Exchange Controls

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China (中國銀行) or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain the prior approval of the SAFE (國家外匯管理局).

On December 28, 1993, PBOC, under the authority of the State Council (國務院), promulgated the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告), effective from January 1, 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On March 26, 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯暫行管理規定) (the "Provisional Regulations"), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On January 29, 1996, the State Council promulgated Regulations for the control of Foreign Exchange (中華人民共和國外匯管理條例) ("Control of Foreign Exchange Regulations") which became effective from April 1, 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on January 14, 1997 and on August 5, 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises (外商投資企業實行銀行結售匯工作實施方案). The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialized accounts for capital account receipts and payments at designated foreign exchange banks.

On October 25, 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知) pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

On October 21, 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which became effective as at November 1, 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to the notice, "special purpose company" (特殊目的公司) refers to the offshore company established or indirectly controlled by the PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprise. Prior to the establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006.

On September 1, 2006, the Ministry of Construction and SAFE promulgated the Circular on the Issues Concerning the Regulation of Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯有關問題的通知). This circular states that: (i) where foreign exchange is remitted for a real estate purchase, the foreign purchaser shall be subject to examination by the designated foreign exchange bank. The remitted funds shall be directly remitted by the bank to the RMB account of the real estate development enterprise and no payment remitted from abroad by the purchasers shall be kept in the foreign exchange current account of the real estate development enterprises; (ii) where the real estate purchase fails to complete and the foreign purchaser intends to remit the purchase price in RMB back to foreign currencies, the foreign purchaser shall be subject to examination by the designated foreign exchange bank; (iii) when selling real estates in China and the purchase price received in RMB is remitted to foreign currencies, the foreign purchaser shall be subject to examination by the local branch of SAFE; and (iv) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans.

Taxation in China

Income Tax

Prior to the 2008 Tax Law (中華人民共和國企業所得稅法) and its implementation rules that became effective on January 1, 2008, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the new income tax law, effective from January 1, 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises, The 2008 Tax

Law and its implementation rules provide certain relieves to enterprises that were established prior to March 16, 2007, including (1) continuously enjoying the preferential income tax rate during a five-year transition period if such enterprises are entitled to preferential income tax rate before the effectiveness of new Enterprises Income Tax Law; (2) continuously enjoying the preferential income tax rate until its expiry if such enterprises are entitled to tax holidays for a fixed period under the relevant laws and regulations. However, where the preferential tax treatment has not commenced due to losses or accumulated loss not being fully offset, such preferential tax treatment shall be deemed to commence from January 1, 2008 and expire on December 31, 2013. In addition, dividends from PRC subsidiaries to their foreign shareholders will be subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable. However, under the new tax law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the new Enterprise Income Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

Business Tax

Business tax is payable in respect of certain business activities in China as set out in the Provisional Regulations Concerning Business Tax (中華人民共和國營業稅暫行條例), which was promulgated in 1994 and amended in 2008. The activities to which the business tax applies include construction, leases and sales of real estate properties in China. The tax is a turnover tax charged on gross revenue. No deduction of the tax incurred on purchased services or materials is allowed. However, deductions from gross revenue are allowed for subcontracting fees paid among the transportation, tourism and construction industries. The rate of business tax payable for property sale and leasing transactions is 5% of the proceeds from the sale or leasing of real estate/immovable properties in China.

In December 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業稅政策的通知) to curtail speculations in the property market in response to the property price rises across the country. Pursuant to the Notice, effective from January 1, 2010, business tax will be imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

Land Appreciation Tax

Land appreciation tax is applicable to entities or individuals upon the transfer of land use rights and its attachments where a gain is generated. This tax is calculated based on the appreciated value of the real estate property. The applicable marginal tax rate progresses from 30% to 60% based on the ratio of the appreciated value as compared to the original cost. A full exemption is available for individual owners that assign their personal residence of five years or more. For personal residences of more than three years but less than five years, a 50% reduction of the land appreciation tax is available.

For property developers, an additional 20% of deductible expenses may be further deducted in the calculation of the land appreciation amount. Deductible expenses include the land use right costs incurred and other costs associated with acquiring such right; costs associated with property development, such as removal fees, construction costs, basic infrastructure costs, and indirect development costs, as well as sales expenses, management expenses and finance expenses. Land appreciation tax is assessed at completion of the property transfer. Net profit is assessed after the completion of each phase to derive the tax liability.

In December 2006, the State Administration of Taxation issued a Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題通知), which came into effect on February 1, 2007. The notice required settlement of LAT liabilities by real estate developers if the required condition is satisfied.

On May 19, 2010, the SAT issued the Circular on 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 the land appreciation tax. 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 the land appreciation tax, 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 (關於加強土地增值稅征管工作的通知), 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.

Pursuant to Several Opinions on Further Strengthening Regulation and Control of the Municipal Real Estate Market and Accelerating the Process of Housing Support (關於進一步加強本市房地產市場調控加快推進住房保障工作的若干意見) jointly promulgated by the Shanghai Municipal Housing Support and Building Administration Bureau and four other authorities on October 7 2010, for housing projects with an average sales price of (i) less than the average price of newly-built commercial housing in the previous year in the area where the projects are located ("area average price"), the LAT prepayment rate shall be 2%; (ii) more than the area average price but less than twice the area average price, the LAT prepayment rate shall be 3.5%; and (iii) more than twice the area average price, the LAT prepayment rate shall be 5%.

Real Estate Tax

Enterprises engaged in the development of and investment in real estate in China are required to pay real estate tax on land and buildings owned by them in China. The tax is charged at a rate of 1.2% based on the original value of the property discounted by 10% to 30%. If no original value is available, the tax chargeable is determined by the relevant local tax authorities with reference to the value of other properties of a similar nature.

Stamp Duty

Persons who have executed or received dutiable documents within China are subject to stamp tax. Dutiable documents include contracts or documents of a contractual nature for the sale of goods, the undertaking of processing work, the contracting of construction and engineering projects, the lease of property and technology, as well as transfer of property. A stamp tax by each party to the stampable documents at the rate of 0.05% is payable in respect of transfer of properties based on the contractual price of the property transferred and at the rate of 0.1% of the total amount of rent in respect of the leasing of properties.

Property Taxes

The State Council recently approved, on a trial basis, the launch of a new property tax scheme in selected cities. The detailed measures will be formulated by the governments of the pilot provinces, autonomous regions or municipalities directly under the central government. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011. Under the Shanghai Interim Rules of the Trial in Levy of Property Tax on Certain Houses《上海市開展對部分個人住房徵收房產稅試點的暫行辦法》, among other things, starting on January 28, 2011, (i) Shanghai shall, on a trial basis, levy property taxes on a second or succeeding house in Shanghai which purchased by a local resident family and each house in Shanghai which is purchased by a non-local resident family; (ii) the applicable rate of the property tax is 0.4% or 0.6%, subject to specified circumstances; and (iii) the property tax shall be temporarily payable on the basis of 70% of the transaction value of the taxable house. Moreover, the Shanghai property tax rule provides several measures for tax deduction or exemption, including the rule that if a local resident family's GFA per capita, calculated on the basis of the consolidated living space owned by such family, is not more than 60 sq.m., such family is temporarily exempted from property tax when purchasing a second house or more in Shanghai. Under the measures issued by the Chongqing government, the property tax in trial areas in nine major districts will be imposed on (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by individuals who are not local residents, or are not employed in and do not own an enterprise in Chongqing, at rates ranging from 0.5% to 1.2% of the purchase price of the property. Furthermore, the Chongqing property tax rule provides several possible deductions or exemptions, including the following: (i) for stand-alone residential properties owned before January 28, 2011, the deduction area is 180 sq.m; (ii) for newly purchased stand-alone residential properties and high-end residential properties, the deduction area is 100 sq.m; (iii) the deduction area shall be based on the family unit, and the deduction can only be enjoyed by one family for its single property. In addition, there is no deduction for individuals who are not local residents, not employed in or do not own an enterprise in Chonqing. These two governments may issue additional measures to tighten the levy of property tax. It is also expected that more local governments will follow Shanghai and Chongqing in imposing property tax on commodity properties, including Beijing, Shenzhen and Hangzhou.

MANAGEMENT

Our board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our board:

Name	Age	Position
Hui Wing Mau (許榮茂)	60	Chairman and executive director
Hui Sai Tan, Jason (許世壇)	34	Vice Chairman and executive director
Yao Li (姚櫟)	56	Executive director
Tung Chi Shing (童自成)	50	Executive director
Liu Sai Fei (劉賽飛)	49	Executive director
Xu Younong (許幼農)	52	Executive director
Kan Lai Kuen, Alice (簡麗娟)	56	Independent non-executive director
Lu Hong Bing (呂紅兵)	44	Independent non-executive director
Gu Yunchang (顧雲昌)	66	Independent non-executive director
Lam Ching Kam (林清錦)	50	Independent non-executive director

Directors

Executive Directors

Mr. HUI Wing Mau (許榮茂), aged 60, is the chairman and executive director of our Company and the founder of our Group. With over 20 years' experience in property development, property investment and hotel operation, he is primarily responsible for our Group's overall strategic planning and business management. Mr. Hui is currently a member of the National Committee of the Eleventh Chinese People's Political Consultative Conference, vice chairman of the China National Federation of Industry and Commerce, vice president of China Overseas Chinese Entrepreneurs Association, chairman of Shanghai Overseas Chinese Chamber of Commerce, vice chairman of China Housing Industry Association, a council member of the China Overseas Friendship Association, an honorary professor of Tong Ji University in Shanghai and vice chairman of the Beijing University of Chemical Technology. Mr. Hui obtained a Masters degree in business administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao and Shimao International. He is a director of Gemfair Investments Limited, a substantial shareholder of our Company within the meaning of Part XV of the Securities and Future Ordinance. He has been an executive director of our Company since November 8, 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the vice chairman and executive director of our Company.

Mr. HUI Sai Tan, Jason (許世壇), aged 34, the vice chairman and executive director of our Company. He has been the group sales controller since he joined our Group in March 2000. Mr. Jason Hui is responsible for the sales, marketing, management and design of our Group's projects. He has more than 11 years' experience in the property development industry and has presided over the sales and marketing of Shanghai Shimao Riviera Garden which boasted top sales proceeds among residential projects in Shanghai for four consecutive years from 2001 to 2004. Mr. Jason Hui obtained a Masters Degree in business administration from the University of South Australia in 2004, and a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference. He has been an executive director of our Company since November 17, 2004 and was an executive director of Shimao International from July 2002 to June 2006. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the chairman and executive director of our Company.

Ms. YAO Li (姚櫟), aged 56, has been our group operations controller since November 2002. Ms. Yao is responsible for loan finance, management of enterprise operations, management of enterprise operation, human resources, training and administrative support of our Group. Ms. Yao obtained a Masters degree in business administration from the University of South Australia in 2003. She has more than 24 years' experience in office administration, human resources management and staff training. Ms. Yao worked for

China Construction Bank from 1984 to 2002 and was posted to Hong Kong and Johannesburg between 1994 and 2002. She held various positions in the bank and was the head of the Hong Kong training centre. She was an executive director of Shimao International from February 2004 to February 2005. Ms. Yao has been an executive director of our Company since January 25, 2006.

Mr. TUNG Chi Shing (童自成), aged 50, was appointed an executive director of the Company on January 1, 2008. He is responsible for the monitoring of project management for our Group's development projects and quality assurance. Mr. Tung graduated from The Hong Kong Polytechnic University and has worked in the Public Works Department of the Hong Kong Government, Dragages et Travaux Publics, FJT (HK) Ltd. and HCCM Nuclear Power Construction Joint Venture Company as quantity surveyor in Hong Kong and was involved in a number of projects including Island Shangri-La and Conrad Hong Kong in Pacific Place, Hong Kong, Phase 1B of the University of Hong Kong, Stanley Fort Married Quarters, the Pumping Station Areas of the Daya Bay Nuclear Power Station and a Xian five-star hotel in the PRC. He was an executive director of Shimao International from February 2005 to December 2007.

Mr. LIU Sai Fei (劉賽飛) aged 49, has joined our Group since 2003 and was appointed an executive director of the Company on February 1, 2010. He is currently a vice president and regional project controller of the Group, responsible for project management of the Group's projects. He obtained a Masters degree in project management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 25 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 and 2003, he worked for Shanghai Merry Land Co. Ltd. as project manager.

Mr. XU Younong (許幼農), aged 52, has joined the Group since June 2001 and was appointed an executive director of the Company on January 1, 2011. Mr. Xu is currently a vice president and regional president of the Group, responsible for project management of the Group. Mr. Xu holds a Bachelor's degree of engineering from Tong Ji University in Shanghai and has over 27 years' experience in architectural design and project management. Prior to joining the Group, he worked for Shanghai Building Material Industry Design Institute (上海市建築材料工業設計研究院) from 1983 to 1992 as an engineer and designer. From 1993 to 2001, he worked for Shanghai Fortune World Development Company Limited as project manager.

Independent Non-executive Directors

Ms. KAN Lai Kuen, Alice (簡麗娟), aged 56, has been an independent non-executive director of our Company since March 16, 2006 and has more than 18 years' experience in corporate finance. She is a shareholder, managing director and responsible officer of two licensed corporations under the SFO, Asia Investment Management Limited and Asia Investment Research Limited. She is also a responsible officer of Lotus Asset Management Limited. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on the Hong Kong Stock Exchange: Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, G-Vision International (Holdings) Limited, Sunway International Holdings Limited, China Energine International (Holdings) Limited and Sunac China Holdings Limited. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Ms. Kan has held various senior positions in international and local banks and financial institutions.

Mr. LU Hong Bing (呂紅兵), aged 44, has been an independent non-executive director of our Company since 17 November 2004. He obtained a Masters degree in law from the East China University of Politics and Law in 1991 and has more than 17 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent non-executive director on the boards of the following companies which are listed on the Shanghai Stock Exchange: Shanghai Pudong Road & Bridge Construction Co., Ltd (上海浦東路橋建設股份有限公司), Shanghai Aerospace Automobile Electromechanical Co. Ltd. (上海航天汽車機電股份有限公司)), Shanghai Jiaoda Onlly Co., Ltd (上海交大昂立股份有限公司), Shanghai Metersbonwe Fashion & Accessories Co., Ltd. (上海美特斯邦威服飾股份有限公司) and Shanghai DaZhong Public Utilities (Group) Co., Ltd (上海大眾公用事業 (集團) 股份有限公司). Mr. Lu is an executive partner of the Grandall Legal Group, a vice-president of the executive council of the All China Lawyers Association, an arbitrator of the China International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Committee, a concurrent professor of the East China University of Politics and Law and the Shanghai Institute of Foreign Trade and a commissioner of the public offering commission of the Shanghai Stock Exchange and the Shenzhen Stock Exchange. He was appointed as an independent non-executive director of the Shimao International from October 2001 to February 2005.

Mr. GU Yunchang (顧雲昌), aged 66, has been an independent non-executive director of our Company since April 2006. He joined the Ministry of Construction in 1979 and has over 29 years' experience in market theory and policy research, including research and analysis of the PRC property market. In 1983, he was appointed as the secretary-general of the China Residential Property Issues Research Institute (中國住宅問題研究會) and held this position for a period of 10 years. Between 1986 and 1998, he participated in the research and formulation of the national housing policy reform and in 1998, served as one of the main draftsmen for the national housing reform program in the PRC. Mr. Gu has participated in state level research projects such as "2000 China" (2000年中國) and "National Xiaokang Residential Property Technological Industry Project" (小康住宅科技產業工程). Mr. Gu has been awarded the First Class National Science Technology Advance Award (國家科技進步一等獎) in China twice. Mr. Gu was appointed vice-president and secretary-general of the China Real Estate Association (中國房地產業協會) from August 1998 to March 2006, and since 1998, he has been involved in promoting the development of the China real estate industry as well as undertaking the research and analysis of the China real estate market. He is also the main organizer and writer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu is currently the vice president of China Real Estate and Housing Research Association and an independent non-executive director of Sino-Ocean Land Holdings Limited, a company listed on the Hong Kong Stock Exchange, and an independent director of EHouse (China) Holdings Limited, a company listed on the New York Stock Exchange in the United States of America.

Mr. LAM Ching Kam (林清錦), aged 50, has been an independent non-executive director of our Company since June 2006. He is currently a fellow member and committee member of the PRC committee (Quantity Surveying Division) of the Hong Kong Institute of Surveyors. Mr. Lam obtained a Masters degree in business administration from the Hong Kong Open University in 2004 and is a fellow member of the Chartered Institute of Building and the Royal Institute of Chartered Surveyors. He was the vice chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程師學會會員) and also a qualified China Costing Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than eight years. Mr. Lam has been in the property development and construction industry for 26 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co. Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing.

Senior Management

Mr. IP Wai Shing, Andy (葉偉成), aged 54, was our group construction controller when joining our Group in July 2003. Mr. Ip was responsible for overseeing the project constructions developed by our Group, and also our group technical support and quality assurance department. Mr. Ip was also responsible for setting up the Group's hotel management department at the beginning of 2004 and successfully supervised the opening of the Le Méridien Sheshan Hotel (Shanghai), the Royal Méridien Hotel (Shanghai) and the Hyatt on the Bund Shanghai. From the beginning of 2008, Mr. Ip has dedicated to our Group's newly formed hotel investment and management department responsible for setting up the strategic plan, coordinating pre-IPO activities, overseeing hotel operations and looking after design improvement, construction progress, cost control, quality assurance for the new hotel projects. Mr. Ip obtained a higher certificate in civil engineering from Hong Kong Polytechnic in 1978. Mr. Ip has more than 31 years' experience in construction and project management, of which over 21 years are in China. Prior to joining our Group, he served as project manager of Shui On (China) Ltd., Goldnice Investments Corp., Tian An (China) Investment Co., Ltd. and the Kerry Group from 1986 to 2002. Mr. Ip has also been involved as project manager in a number of property projects including the Royal Garden Hotel in Hong Kong in the 1980's, Dorchester Tower and Brunswick Garden in Canada from 1989 to 1991 and Wuhan Tian An Holiday Inn Hotel, Wuhan Shangri-La Hotel, Harbin Shangri-La Hotel and Beijing China World Trade Center Phase III from 1993 to 2002 in China. Mr. Ip has registered as a technician engineer CEI of the Council of Engineering Institutions.

Mr. HUI Wai Man, Lawrence (許偉文), aged 54, has been our vice president and chief financial officer since November 2005. He is responsible for the finance-related matters of our Group. He is a fellow of the Hong Kong Institute of Certified Public Accountants, an associate of the Association of Chartered Certified Accountants in England and Wales and an associate of the Institute of Chartered Accountants in England and Wales. He holds a Bachelors degree in arts from Manchester Polytechnic, the United Kingdom (now known as Manchester Metropolitan University) and has over 27 years' experience in corporate finance, project finance, taxation, accounting and audit. Prior to joining our Group, he worked as an executive director and chief financial officer of several companies including Guangdong Alliance Limited, Guangdong Tannery Limited, Guangnan (Holdings) Limited and Kingway Brewery Holdings Limited, finance manager of Cheung Kong (Holdings) Limited, general manager (corporate finance, leasing and property sales) of Sino Land Company Limited and group financial controller of Lai Fung Company Limited.

Ms. TANG Fei (湯沸), aged 40, is our vice president and financial controller, responsible for the financial control of our Group. Ms. Tang holds a Masters degree in business administration from the University of South Australia and has over 17 years' experience in financial management and internal audit. Prior to joining the Group, Ms. Tang worked in the internal audit department of Bank of China from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 2000 to 2004.

Company Secretary

Ms. LAM Yee Mei, Katherine (林綺薇), aged 44, is our assistant president and company secretary. Ms. Lam is an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and holds a Bachelors degree and a Masters degree in Law from the University of London. She has over 19 years' experience in company secretarial practice.

Board Committees

Audit Committee

We have an audit committee in compliance with the Listing Rules. The audit committee consists of four members, all of whom are our independent non-executive directors. The chairman of the audit committee is Ms. Kan Lai Kuen, Alice, an independent non-executive director.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Company, nominate and monitor external auditors and provide advice and comments to our directors.

Remuneration Committee

We have a remuneration committee. The remuneration committee consists of five members, comprising Mr. Hui Wing Mau and our four independent non-executive directors. The chairman of the remuneration committee is Mr. Hui Wing Mau.

The primary functions of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of our directors and senior management and evaluate, make recommendations on our share option schemes, retirement scheme and our performance assessment system and bonus and commission policies.

Nomination Committee

We have a nomination committee. The nomination committee consists of five members, comprising Mr. Hui Wing Mau and our four independent non-executive directors. The chairman of the nomination committee is Mr. Hui Wing Mau.

The primary functions of the nomination committee are to identify and nominate suitable candidates for the Board's consideration and recommendation to stand for election by shareholders at annual general meetings, and when necessary, make recommendations to the Board regarding candidates to fill vacancies on the Board.

Compensation of Directors

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us during the years ended December 31, 2007, 2008 and 2009, to those persons who have been or are our directors, was approximately RMB24.7 million, RMB24.1 million and RMB18.2 million (US$2.7 million), respectively.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of November 30, 2010 by those persons who beneficially own more than 5% of our outstanding shares, as recorded in the register maintained by us pursuant to Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"):

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of interest in our Company
Hui Wing Mau	*(Note 1)*	2,120,352,500	59.78%
Gemfair Investments Limited	*(Note 2)*	1,947,984,000	54.92%
Overseas Investment Group International Limited ("Overseas Investment")	*(Note 3)*	1,947,984,000	54.92%

Notes:

(1) These 2,120,352,500 shares represents the interest in the Company held by Gemfair Investments Limited and Shiying Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.

(2) The interests disclosed represents the interests in the Company which is held by Gemfair Investments Limited, a company which is directly wholly-owned by Mr. Hui Wing Mau.

(3) The interests disclosed represents the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated June 12, 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his associates (directly or indirectly) hold not less than a 30% interest in the Company.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on The Stock Exchange of Hong Kong Limited, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain "connected transactions" with "connected persons" be approved by a company's independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

Major Related Party Transactions

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2007	2008	2009		2009	2010	2010
					Unaudited	Unaudited	Unaudited
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(RMB)	(US$)
				(in thousands)			
Major related party transactions:							
Trademark fee earned from related companies[1]	1,459	1,340	—	—	—	—	—
Commission and consulting income earned from Fujian Shimao[2]	—	795	—	—	—	—	—
Operating lease rental expense charged by Shimao International[3]	2,078	4,347	4,440	655	2,220	2,210	326
Property management fee and reimbursement of staff costs charged by Shimao First Pacific[4]	3,860	7,980	7,457	1,100	3,950	—	—
Key management compensation							
Fees	9,499	—	—	—	—	—	—
Emoluments							
- Salaries and other short-term employee benefits	15,933	23,938	24,641	3,634	10,212	10,694	1,577
- Retirement scheme contributions	165	168	161	24	77	70	10
- Employee share option schemes	11,710	7,938	1,261	186	1,063	—	—

Notes:

(1) *On June 12, 2006, we and certain related companies (including their subsidiaries), including Shimao Enterprises, Shanghai Shimao, Shimao International and Mr. Hui Wing Mau, entered into a trademark framework agreement, under which we agreed to grant these related companies the non-exclusive licenses to use the "Shimao" trademarks and devices at an annual royalty fee of HK$300,000 per project from July 5, 2006 to December 31, 2008. There has been no new agreement entered into during the year ended December 31, 2009 and through the date of this document.*

(2) *For the year ended December 31, 2008, we provided marketing and consulting services to Fujian Shimao, a former jointly controlled entity of our Group, and earned commission and consulting income of RMB795,000. Upon completion of restrucuting with Shanghai Shimao in May 2009, Fujian Shimao became a subsidiary of our Group.*

(3) *On June 12, 2006, we entered into a lease agreement with a wholly-owned subsidiary of Shimao International to rent a portion of office premises of Shimao International in Hong Kong for a term from 2006 to 2008. We currently rent the same portion of office premises from the same lessor for a term from January 1, 2009 to December 31, 2011 under another lease agreement dated January 1, 2009.*

(4) *Shanghai Shimao Property Services Co., Ltd. ("Shimao First Pacific"), a former jointly controlled entity of our Group, provided property management service to our certain properties. Upon completion of our acquisition of all of the remaining equity interest in Shimao First Pacific at the end of 2009, Shimao First Pacific became a subsidiary of our Group.*

In addition, we had provided Shanghai Mason Club Co., Ltd. ("Shanghai Mason") with the right to operate one of our clubhouses at a fee calculated based upon certain percentage of net profit of the clubhouse when it has achieved an accumulated net profit. During the three years ended December 31, 2009 and six month period ended June 30, 2010, the clubhouse was operated at loss and, therefore, no fee had been charged.

Non-competition Undertaking

In June 2009, we completed the restructuring with Shimao Enterprises and Shanghai Shimao (the "Restructuring") and, as a result, Shimao Enterprises and Shanghai Shimao became our majority-owned subsidiaries. Upon completion of the Restructuring, we owned an approximately 50.9% equity interest in Shimao Enterprises and an approximately 64.2% equity interest in Shanghai Shimao. On October 27, 2007, our Company, Shanghai Shimao, Shimao Enterprises, Overseas Investment, Mr. Hui Wing Mau, Mr. Xu Shiyong and Shimao International entered into a supplementary agreement ("Revised Undertaking") to a non-competition undertaking dated February 19, 2005 (the "Non-competition Undertaking"), to amend certain non-competition arrangements according to the changes in the relationships among the parties as contemplated upon completion of the Restructuring. Furthermore, in order to reflect the new commercial circumstances in relation to the new non-competition arrangements, our Company, Shanghai Shimao and Mr. Hui Wing Mau also entered into the PRC non-competition agreement dated October 22, 2007 ("PRC Non-competition Agreement") to substitute certain undertakings previously given by our Company and Shanghai Shimao to each other under the Non-competition Undertaking. Upon completion of the Restructuring, the new non-competition arrangements contemplated under the Revised Undertaking and the PRC Non-competition Agreement became effective. The table below set forth the summary of these new non-competition arrangements:

	Our Group	Shanghai Shimao	Mr. Hui Wing Mau and the Private Group
Shareholding interests		Approximately 64.2% indirectly-owned by our Company	Companies under the Private Group
Principal business	Residential property and hotel projects	Commercial property projects	Continue to hold a number of property development projects in the PRC undertaken by the Private Group prior to the Non-competition Undertaking
Delineation with our Group		Delineation by the nature of the development projects	No new competing business with our Group

	Our Group	Shanghai Shimao	Mr. Hui Wing Mau and the Private Group
Carve-outs		Shanghai Shimao's existing projects in the PRC prior to the PRC Non-competition Agreement	The Private Group's existing projects in the PRC prior to the Revised Undertaking and Mr. Hui Wing Mau's certain personal interests Mr. Hui Wing Mau has the right to engage in property business outside the PRC in the event that our Company decides not to pursue such business

Provision of Guarantees by Mr. Hui Wing Mau in favor of Our Group

Mr. Hui Wing Mau has provided certain guarantees to secure our bank loans. As of November 30, 2010, we had not paid for or provided any benefit to Mr. Hui Wing Mau to induce him to provide these guarantees.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of June 30, 2010, our total outstanding external borrowings amounted to RMB29,193.8 million (US$4,304.9 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

Project Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, China CITC Bank, Shanghai Pudong Development Bank, Industrial Bank, China Minsheng Banking Corp., Bank of Jiangsu and Standard Chartered Bank (China) Limited. These PRC bank loans are typically project loans to finance the construction of our projects (the "project loans") and have terms ranging from 24 months to 60 months, which generally correspond to the construction periods of the particular projects. As of June 30, 2010, the aggregate outstanding amount under these project loans totaled approximately RMB19,554.2 million, of which RMB3,525.8 million was due within one year, RMB5,413.3 million was due between one and two years, RMB7,145.6 million was due between two and five years and RMB4,660.5 million was due over five years. Our project loans are typically secured by land use rights and properties as well as guaranteed by our Company and certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate *per annum*. Floating interest rates are generally subject to review by the banks annually. 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 June 30, 2010, the weighted average interest rate on the aggregate outstanding amount of our project loans was 5.51% *per annum*.

Covenants

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts that may adversely affect their ability to repay the loans;
- prepay the loans; and
- transfer part or all of their liabilities under the loans to a third party.

Events of Default

The project loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The banks 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

Our Company and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans. Further, as of June 30, 2010, RMB18,183.2 million of the project loans were secured by land use rights and/or other assets and properties of the subsidiary borrowers and/or our other PRC subsidiaries.

Dividend Restrictions

Pursuant to the project loans with certain PRC banks, some of our PRC subsidiaries also agreed not to distribute any dividend:

- if the borrower's after-tax profit is nil or negative;
- before the principal amount of and accrued interest on the relevant project loan have been fully paid; or
- before any principal amount of and accrued interest on the relevant project loan due within the period have been fully paid.

2006 Notes

On November 29, 2006, we entered into an indenture (as amended or supplemented from time to time, the "2006 Indenture"). On February 2, 2010, we entered into a supplemental indenture to amend certain covenants of the 2006 Indenture through a consent solicitation in January 2010. Pursuant to the 2006 Indenture, we issued US$250,000,000 principal amount of 2006 Floating Rate Notes and US$350,000,000 principal amount of 2006 Fixed Rate Notes. As of the date of this document, we had a total of US$600,000,000 principal amount of the 2006 Notes outstanding.

Guarantee

The obligations pursuant to the 2006 Notes are guaranteed by our existing subsidiaries (the "2006 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2006 Indenture.

Each of the 2006 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2006 Notes.

Collateral

The Company has agreed, for the benefit of the holders of the 2006 Notes, to pledge, or to cause the subsidiary guarantor pledgors to pledge, as the case may be, the capital stock of each initial subsidiary guarantor (collectively, the "2006 Collateral") in order to secure the obligations of the Company under the 2006 Notes and the 2006 Indenture, and of such subsidiary guarantor pledgor under its subsidiary guarantee.

The 2006 Collateral 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 under the 2006 Indenture may, subject to certain conditions, incur additional indebtedness which would be secured by the 2006 Collateral on a *pari passu* basis with the 2006 Notes and the related subsidiary guarantees.

Interest

The 2006 Floating Rate Notes bear an interest rate equal to LIBOR plus 1.95% *per annum* (reset semi-annually), payable semi-annually in arrears.

The 2006 Fixed Rate Notes bear an interest rate of 8% *per annum*, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2006 Indenture and each of the related subsidiary guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The 2006 Indenture contains certain customary events of default, including default in the payment of principal of (or premium, if any, on), the 2006 Notes, when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2006 Indenture or the holders of at least 25% of the outstanding 2006 Notes may declare the principal of the 2006 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding 2006 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2006 Floating Rate Notes is December 1, 2011.

At any time prior to December 1, 2011, we may redeem the 2006 Floating Rate Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2006 Floating Rate Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to December 1, 2009, we may redeem up to 35% of the aggregate principal amount of the 2006 Floating Rate Notes at a redemption price equal to 100% of the principal amount of the 2006 Floating Rate Notes, plus a premium and any accrued and unpaid interest with the proceeds form sales of certain kinds of the Company's capital stock, subject to certain conditions.

We intend to finance the redemption of the outstanding principal amount of our 2006 Floating Rate Notes from the proceeds of the offering.

The maturity date of the 2006 Fixed Rate Notes is December 1, 2016.

At any time on or after December 1, 2011, we may redeem the 2006 Fixed Rate Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during each period indicated below, plus any accrued and unpaid interest to the redemption date:

Period	Redemption Price
December 1, 2011 — November 30, 2012	104.000%
December 1, 2012 — November 30, 2013	102.667%
December 1, 2013 — November 30, 2014	101.333%
December 1, 2014 — November 30, 2015	100.000%

At any time prior to December 1, 2011, we may redeem the 2006 Fixed Rate Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2006 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to December 1, 2009, we may redeem up to 35% of the aggregate principal amount of the 2006 Fixed Rate Notes at a redemption price equal to 108% of the principal amount of the 2006 Fixed Rate Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2006 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2006 Notes at a redemption price equal to 100% of the principal amount of the 2006 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Amended and Restated Intercreditor Agreement

On January 14, 2010, the Company, the subsidiary guarantor pledgors, the shared security agent for the benefit of holders of the 2006 Notes and any holder of permitted *pari passu* secured indebtedness who becomes a party to the intercreditor agreement and the trustee for the 2006 Notes entered into an amended and restated intercreditor agreement (as amended from time to time, the "Intercreditor Agreement"). The Intercreditor Agreement provides that the security interests created by the 2006 Collateral will be shared on a *pari passu* basis among (i) the holders of the 2006 Notes, and (ii) any holder of permitted *pari passu* secured indebtedness or their representatives who become parties to the intercreditor agreement.

2009 CCB (Asia) Credit Facilities I

On October 15, 2009, Shimao Hong Kong Property Investment Management and Consultancy Limited entered into a credit facility agreement in connection with two term loan facilities of up to HK$1,404,738,000, including an HK$337,738,000 loan facility and an HK$1,067,000,000 loan facility, with China Construction Bank (Asia) Corporation Limited ("CCB (Asia)") as the lender. The proceeds of the HK$337,738,000 loan facility are to be used for the purpose of financing the development of our property projects and other general corporate purposes. The proceeds of the HK$1,067,000,000 loan facility are to be used for the purpose of general working capital requirements. As of the date of this document, the HK$337,738,000 loan facility has been terminated and we have fully drawn down the HK$1,067,000,000 loan facility.

Interest

In respect of the HK$1,067,000,000 loan facility, the interest rate for the first 13-month interest period is calculated on a daily basis at 3-month HIBOR plus a margin of 0.7% *per annum*, and the interest rate for second year and third year will be re-fixed on the 12th month and 23rd month, respectively, but shall be at least at 3-month HIBOR plus a margin of 0.9% *per annum*. If we fail to pay the sum due on the interest payment date, all sum due but not paid shall bear interest at such rate or rates from time to time determined by CCB (Asia) at its discretion.

Maturity and Prepayment

The HK$1,067,000,000 loan facility is due on July 6, 2012. We have the right to prepay the facility by giving CCB (Asia) seven days' notice, subject to a prepayment fee at 0.25% flat rate on the prepaid amount.

Guarantee and Indemnity

The HK$1,067,000,000 loan facility is guaranteed by a standby letter of credit issued by China Construction Bank Corporation, Shanghai Branch for HK$1,100.0 million with a term of 36 months. The standby letter of credit is guaranteed by Shanghai Shimao Manor Real Estate Holding Limited with a mortgage over property rights.

Termination

CCB (Asia) can, at its discretion, terminate the loan facilities at any time by serving a termination notice. In such case, our liabilities will become immediately due and payable together with accrued interest.

2010 Syndicated Loan Facilities

On May 14, 2010, we entered into a credit agreement in connection with multi-currency term loan facilities, including a US$440,000,000 facility and an HK$156,000,000 facility, with 14 lenders and The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, The Bank of East Asia, Limited, Hang Seng Bank Limited and Sumitomo Mitsui Banking Corporation as mandated coordinating arrangers, and Standard Chartered Bank (Hong Kong) Limited as the facility agent. The proceeds of the loan facilities are to be used to refinance our existing indebtedness or for general corporate purposes, including any investment in fixed assets. We draw down the entire amount under the loan facilities in May and June 2010. As of the date of this document, we have drawn down the entire amount available under the loan facilities.

Interest

Under the credit agreement, the interest rate applicable for an interest period is LIBOR, in the case of a U.S. dollar loan, or HIBOR, in the case of a Hong Kong dollar loan, in each case, plus a margin of 2.55% *per annum*. If we fail to pay the sum due on its payment date, interest shall accrue on the unpaid sum from the due date up to the date of actual payment, and interest on an overdue amount (provided that such overdue amount is not a principal amount of the loan) is payable at a rate determined by the facility agent to be 2% *per annum* above the rate which would have been payable.

Maturity and Prepayment

The loan facilities are repayable in four semi-annual instalments and in the amounts as follows: (i) on the date falling 18 months after the date of the credit agreement, 10% of the outstanding loan facilities; (ii) on the date falling 24 months after the date of the credit agreement, 15% of the outstanding loan facilities; (iii) on the date falling 30 months after the date of the credit agreement, 30% of the outstanding loan facilities; and (iv) on the date falling 36 months after the date of the credit agreement, 45% of the outstanding loan facilities. We have the right to prepay the facilities by giving not less than 30 days' prior notice (or such shorter period as the facility agent, acting on the instructions of the majority lenders, may agree) to the facility agent.

Guarantee and Indemnity

Our obligations under the credit agreement are guaranteed by our certain subsidiaries which are incorporated outside of the PRC.

Covenants

Pursuant to the facility agreement, we agreed to the following financial covenants:

- our consolidated tangible net worth shall not at any time be less than RMB19,000,000,000;

- the ratio of consolidated net borrowings to consolidated tangible net worth shall not at any time be more than 0.85:1;

- the ratio of consolidated current assets to consolidated current liabilities shall not at any time be less than 1:1;

- fixed charge coverage ratio in respect of any relevant period shall be no less than 3.00:1; and

- the ratio of consolidated PRC borrowings to consolidated total tangible assets is not at any time more than 0.45:1.

We have further agreed, among other things, that we will not (i) declare or pay any dividends or make any other distribution in the form of cash to our shareholders in excess of 35% of our consolidated net profit after tax in any financial year; or (ii) create or allow to exist any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect on any of its assets, unless such security interest is a permitted security interest as defined in the credit agreement.

Events of Default

The credit agreement contains certain customary events of default, including insolvency and breaches of the terms of the credit agreement. The facility agent, as directed by the majority lenders, are entitled to terminate the all or any part of the total commitment and/or declare that all or part of any amounts outstanding immediately due and payable and/or payable on demand by the facility agent acting on the instructions of the majority lenders.

2010 Notes

On August 3, 2010, we entered into an indenture (as amended or supplemented from time to time, the “2010 Indenture”). Pursuant to the 2010 Indenture, we issued US$500,000,000 principal amount of 9.65% senior notes due 2017 (the “2010 Notes”). As of the date of this document, a total of US$500,000,000 principal amount of the 2010 Notes was outstanding.

Guarantee

The obligations pursuant to the 2010 Notes are guaranteed by our existing subsidiaries (the “2010 Subsidiary Guarantors” or “2010 JV Subsidiary Guarantors,” as the case may be), other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2010 Indenture.

Each of the 2010 Subsidiary Guarantors and 2010 JV Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2010 Notes.

Collateral

On August 3, 2010, the 2010 Notes Trustee and the facility agent for the 2010 Syndicated Loan Facilities acceded to the Intercreditor Agreement pursuant to which the 2010 Notes and the 2010 Syndicated Loan Facilities are secured by the 2006 Collateral, with certain exceptions (such collateral, the “2010 Collateral”), on a *pari passu* basis.

The 2010 Collateral 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 under the 2010 Indenture may, subject to certain conditions, incur additional indebtedness which would be secured by the 2010 Collateral on a *pari passu* basis with the 2010 Notes and the related subsidiary guarantees.

Interest

The 2010 Notes bear an interest rate of 9.65% *per annum*, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2010 Indenture and each of the related subsidiary guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The 2010 Indenture contains certain customary events of default, including default in the payment of principal of (or premium, if any, on), the 2010 Notes, when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2010 Indenture or the holders of at least 25% of the outstanding 2010 Notes may declare the principal of the 2010 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding 2010 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2010 Notes is August 3, 2017.

At any time on or after August 3, 2014, we may redeem the 2010 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during each period indicated below, plus any accrued and unpaid interest to the redemption date:

Period	Redemption Price
August 3, 2014 — August 2, 2015	104.8250%
August 3, 2015 — August 2, 2016	102.4125%
August 3, 2016 — August 2, 2017	100.0000%

At any time prior to August 3, 2014, we may redeem the 2010 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2010 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to August 3, 2013, we may redeem up to 35% of the aggregate principal amount of the 2010 Notes at a redemption price equal to 109.65% of the principal amount of the 2010 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2010 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2010 Notes at a redemption price equal to 100% of the principal amount of the 2010 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2010 HSBC (Hong Kong) Facilities I

On June 22, 2010, Shanghai Shimao Riviera (Hong Kong) Limited entered into a facility agreement (the "HSBC Facility Agreement") in connection with a revolving facility of up to HK$827,000,000 (the "HSBC Revolving Facility") and a term loan facility of HK$408,000,000 (the "HSBC Term Loan Facility," and together with the HSBC Revolving Facility, the "HSBC Facilities I") with the Hongkong and Shanghai Banking Corporation Limited ("HSBC") as lender. The agreement was amended on July 14, 2010. The proceeds of the facilities are to be used to repay some of our other credit facilities. We drew down the entire amount under both the HSBC Revolving Facility and the HSBC Term Loan Facility on August 31, 2010. As of the date of this document, HK$827,000,000 had been drawn down under the HSBC Revolving Facility and HK$408,000,000 had been drawn down under the HSBC Term Loan Facility.

Interest

Interest on the HSBC Revolving Facility is computed at 0.75% per annum over one, two, three or six months HIBOR payable at the end of each interest period. Interest on the HSBC Term Loan Facility is computed at 0.9% per annum over one, two, three or six months HIBOR payable at the end of each interest period. Interest will be payable on sums which are overdue, drawings which are in excess of agreed limits and amounts demanded and not paid at rates set forth in the HSBC Facilities I.

Maturity and Prepayment

The HSBC Term Loan Facility is due 36 months from drawdown, which was made on August 31, 2010, or 14 days before the expiry of the relevant standby letter of credit, whichever is earlier.

Guarantee and Indemnity

The HSBC Facilities I are guaranteed by (i) a standby letter of credit issued by China Construction Bank Corporation, Hong Kong Branch CCB (Hong Kong) for HK$870,000,000 with a three-year tenor and (ii) a standby letter of credit issued by CCB (Hong Kong) for HK$430,000,000 with a three-year tenor. These standby letters of credit are guaranteed by standby letters of credit issued by the China Construction Bank Corporation, Shanghai Branch, which are, in turn, guaranteed by Shimao Property Holdings Limited, Mr. Hui Wing Mau, and secured with security deposits by Shanghai Shimao Real Estate Co., Ltd.

Termination

HSBC has unrestricted discretion to cancel or suspend, or determine whether or not to permit drawings under the facilities. These facilities are subject to review at any time and in any event by January 1, 2011 and also subject to HSBC's overriding right of repayment on demand, including the right to call for cash cover on demand for prospective and contingent liabilities.

2010 HSBC (Hong Kong) Facility II

On October 22, 2010, Shanghai Shimao Riviera (Hong Kong) Limited entered into a facility agreement in connection with a term loan facility of up to HK$150,000,000 (the "HSBC Term Loan Facility II") with HSBC as the lender. On February 25, 2011, we drew down the entire amount under the HSBC Term Loan Facility II. As of the date of this document, HK$150,000,000 had been drawn down under the HSBC Term Loan Facility II.

Interest

Interest on the HSBC Term Loan Facility II is computed at 0.9% per annum over one, two, three or six months HIBOR payable at the end of each interest period. Interest will be payable on sums which are overdue, drawings which are in excess of agreed limits and amounts demanded and not paid, at rates set forth in the facility agreement.

Maturity and Prepayment

The HSBC Term Loan Facility II is due 36 months from drawdown or 14 days before the expiry of the applicable standby letter of credit, whichever is earlier.

Guarantee and Indemnity

The HSBC Term Loan Facility II is guaranteed by a standby letter of credit issued by CCB (Hong Kong) for HK$157,810,000 with a three-year tenor and a guarantee limited to HK$150,000,000 from Shimao Property Holdings Limited.

Termination

HSBC has unrestricted discretion to cancel or suspend, or determine whether or not to permit drawings in relation to the HSBC Term Loan Facility II. The HSBC Term Loan Facility II is subject to review at any time and in any event by January 1, 2001 and also subject to HSBC's overriding right of repayment on demand, including the right to call for cash cover on demand for prospective and contingent liabilities.