The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of and for the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 and, in each case, the related notes set out in the "Accountant's Report" included as Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The selected financial information of our subsidiary, Jiangsu Future Land, for the nine months ended September 30, 2011 and 2012, extracted from the Unaudited Interim Financial Information of Jiangsu Future Land as set out in Appendix IA to this prospectus, has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" in this prospectus.

OVERVIEW

We are a leading property developer in the Yangtze River Delta, focusing primarily on the development of quality residential properties and mixed-use complex projects. According to a report by the China Index Academy(1), we ranked first in Jiangsu Province in 2009 and 2010 and second in 2011 in terms of contracted sales; ranked first in Changzhou in 2009, 2010 and 2011 in terms of contracted sales and GFA sold of commodity properties; and ranked among the top five property developers in Shanghai in 2011 in terms of contracted GFA of residential properties. According to the National Bureau of Statistics, Jiangsu Province is one of the regions with the highest GDP per capita in the PRC. Leveraging our leading position in these regions and our proven management capabilities, we believe we are well-positioned to capitalise on the past and expected future robust economic growth in these regions.

We focus strategically on middle class customers. Together with our listed subsidiary Jiangsu Future Land, whose B Shares are listed on the Shanghai Stock Exchange, we offer four different residential property series to meet the needs and preferences of our target customers comprising a wide range of products, including high-rise apartments, mid-rise apartments, townhouses and luxury stand-alone houses. In addition, we develop mixed-use complex projects comprising offices, retail stores, serviced apartments and other ancillary facilities, both for sale and for long-term investment purposes. Apart from residential and mixed-use complex projects, we also provide property management services to our development projects. With our "selected regional focus", we develop a wide range of products in cities where we have an established presence, and selectively penetrate into other regions that we believe have high growth potential.

(1) We paid a total consideration of RMB240,000 for this report. China Index Academy is a Chinese property research institution, which was integrated in 2004 with a number of China research resources, including China Real Estate Index System, Soufun Research Institute, China Villa Index System and Top 10 China Real Estate Research Group. China Index Academy derived the information in this report from its self-developed database, CREIS China Index Database (CREIS中指數據) and the database of fdc.soufun.com. These databases, which comprise data from the Housing Administration Real Estate Exchanges Centres of Jiangsu Province, Changzhou and Shanghai, and annual reports and corporate returns of listed real estate companies, have been widely used and relied upon in the PRC property market. China Index Academy is independent of our Group, our connected persons and the Sole Sponsor.

We have adopted a "rapid asset turnover" business model for our property development projects to shorten the period between site acquisition, pre-sale and completion of our properties. In support of our rapid asset turnover model, we have established a standardised development process through which we develop our properties using standardised procedures, components and units, while still catering to the unique customer needs of each market. As a result, we have been able to rapidly replicate property projects, shorten development cycles, maximise investment returns, improve cash flows and mitigate liquidity risks. Our asset turnover ratio for the years ended December 31, 2009, 2010 and 2011 was 0.39, 0.34 and 0.33 respectively, which, we believe, was competitive in the PRC property industry.

As of August 31, 2012, we had, since our Group was established in 1996, completed 28 property projects and 17 project phases with an aggregate GFA of approximately 10.0 million sq.m. We believe our track record and success are attributable to our strong execution capabilities and in-depth understanding of the property market environment and development trends in the regions in which we operate. Over the years we have built a highly-recognised brand and accumulated a large customer base by consistently delivering quality products.

As of August 31, 2012, we had 46 property projects in nine cities which were under development or held for future development. These projects included approximately 5.1 million sq.m. under development and approximately 7.7 million sq.m. held for future development. We believe that our large portfolio of strategically located land reserves, which were acquired at competitive costs, provides us a sufficient project development pipeline in the foreseeable future and contributes significantly to our continued business expansion. As of August 31, 2012, we had land reserves with a total estimated GFA of 13.7 million sq.m., of which 12.1 million sq.m. are located along the Shanghai-Nanjing Economic Corridor. For details relating to our projects under various stages of development and our recent development, please refer to the sections headed "Business – Overview of Our Projects" in this prospectus.

We have experienced significant growth in recent years. For the years ended December 31, 2009, 2010 and 2011 and the eight months ended August 31, 2012, our contracted sales amounted to RMB8,502.2 million, RMB12,424.0 million, RMB13,995.8 million and RMB9,950.7 million, respectively. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our revenue was approximately RMB5,803.3 million, RMB7,621.4 million, RMB10,767.3 million and RMB3,747.1 million, respectively, and our net profit attributable to Shareholders was RMB572.1 million, RMB691.8 million, RMB886.9 million and RMB152.2 million, respectively.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with HKFRSs under the historical cost convention as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value. The Reorganisation was accounted for using merger accounting, as all the companies comprising our Group were under the common control of Chairman Wang during the Track Record Period. The consolidated financial statements present the financial position, results of operations and cash flows of the companies comprising our Group as if the current group structure had been in existence since January 1, 2009, or for companies established after January 1, 2009, the later of their respective dates of establishment or the dates when they became controlled by Chairman Wang. The consolidated financial statements do not include the assets, liabilities and results of operations of certain entities that were not transferred to our Company pursuant to the Reorganisation on the basis that those entities were involved in businesses unrelated to property development, have separate management personnel and accounting records and have been independently financed and operated.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including those set forth below.

Macroeconomy of PRC and Regulatory Measures for the Property Sector in China

Substantially all of our revenue during the Track Record Period was generated from operations relating to the commercial and residential property markets in the PRC. The conditions of the commercial and residential property markets in the PRC are significantly impacted by governmental policies and regulations in the PRC relating to property development.

From time to time, the PRC government adjusts its regulation of the property market depending on macroeconomic conditions to achieve policy goals, such as preventing the overheating of the property market or stimulating the property market during and after an economic downturn. Before the global financial crisis in 2008, the PRC government adopted measures intended to restrict the second home mortgages. Pursuant to such measures, the minimum down payment for mortgage loans for existing home owners for the purchase of additional residential properties was increased to 30% and the minimum interest rates for such mortgage loans were set at 1.1 times PBOC benchmark interest rates. The global financial crisis caused a slowdown in global capital and credit markets and slowed the growth of transaction volumes and purchase prices in the PRC property market. In response to the global financial crisis, the PRC government adopted a two-year RMB4 trillion economic stimulus plan in November 2008 and other measures, such as the lowering of lending rates for residential property buyers by the PBOC. In 2009 and 2010, the property market started improving primarily in response to the economic stimulus plan as well as the abolition of certain austerity measures in the property sector. In late 2010 and 2011, various administrative bodies launched a series of measures to discourage speculation and control the growth of the PRC property market. As a result of these control measures, the sales volume and purchase prices in the property market of certain cities, including those in which we operate, experienced a decrease in the second half of 2011. We adjusted our marketing and pricing strategies to adjust to the challenging market conditions. See "Business – PRC Government's Measures to 'Cool-Off' the PRC Property Market". The performance of the property market and our business will continue to be affected by a number of macroeconomic factors, including the growth of the PRC economy, interest rates, RMB exchange rate and the political, economic and regulatory environment in the PRC. Please see the sections headed "Risk Factors – Risks Relating to the Property Industry in China" and "Industry Overview – Regulatory Development of the Property Market in the PRC" in this prospectus.

Our business and results of operations may be affected by governmental policies and regulations in the PRC relating to property development, including those that have (i) increased taxes on title transfers and property ownership, (ii) increased down payment requirements for residential mortgages, (iii) tightened credit on financing and mortgage loans and (iv) restricted multiple home ownership and investments in residential property outside one's province of residence.

Ability to Acquire Suitable Land for Future Development

Our continued growth will depend in large part on our ability to acquire quality land at prices that can yield reasonable returns. In recent years, we have expanded our business geographically. Based on our current development plans, we have sufficient land reserves for development for the next three to five years. As the PRC economy continues to grow and demand for commercial and residential properties remains relatively strong, we expect competition among developers for land reserves suitable for property development to intensify overall and in the cities in which we operate. In addition, the public tender, auction and listing-for-sale practices for granting state-owned land use rights are also likely to increase competition for development land and land acquisition costs.

Access to Capital and Cost of Financing

Bank and other borrowings are important sources of funding for our property developments. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our outstanding current and non-current bank loans amounted to RMB3,127.4 million, RMB4,545.3 million, RMB6,512.9 million and RMB6,401.2 million, respectively. Our other current and non-current borrowings in the form of trust financing arrangements amounted to RMB1,120.5 million, RMB3,913.9 million, RMB4,353.7 million and RMB3,332.1 million, respectively. As commercial banks in China link the interest rates on their loans to PBOC benchmark interest rates, any increase in such benchmark interest rates will increase our finance costs. For further information, please refer to "Risk Factors – Risks Relating to Our Business – Our financing costs are subject to changes in interest rates" in this prospectus. While trust financing companies do not usually link their interest rates to the PBOC benchmark interest rates, they typically charge rates 3% to 7% higher than those charged by commercial banks. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government and by financial institutions on bank lending for property development. Additionally, an increase in the demand for loans may increase interest rates, resulting in additional interest costs for us, especially in newly raised loans.

Product Mix of Our Properties

We derive substantially all of our revenue from the sale of residential and commercial properties. Over the years, we have developed and introduced various products to the market, including large-scale residential properties and mixed-use complexes, which consist of high-end residential flats, retail properties and other properties. Our results of operations and cash flows generated from operating activities may vary from period to period depending on the types of properties sold and delivered and the average selling prices of these properties. In addition, our results of operations and cash flows generated from operating activities may also vary depending on prevailing market conditions when we sell our properties. The cash flows generated from our investment properties depend on local rental rates, which in turn depend on local supply and demand conditions, as well as the type of property being developed.

Timing of Property Development

The number of property projects that we undertake during any particular period is primarily limited by the substantial capital requirements for land acquisitions and construction, as well as land supply. In addition, the development of property projects may take many months or even years before the commencement of pre-sale or completion and delivery. No revenue is recognised with respect to a property project until it has been completed, sold and delivered to the customers. In addition, as market demand fluctuates, the revenue we recognise in a particular period may also depend on market conditions at the expected completion and delivery time of a particular project. Moreover, delays in construction, regulatory approval and other processes can adversely affect the timetable of our projects. Given the foregoing limitations, timing differences and uncertainties, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future. In order to mitigate these fluctuations, we strategically schedule projects so they will be at different stages of development during any particular period.

Land and Construction Costs

Our results of operations are affected by land and construction costs. Land and construction costs constitute the largest items in our cost of sales. Over the years, land premiums have generally been on the rise in China. It is widely expected that land premiums will continue to rise as the PRC economy continues to grow and demolition and resettlement costs continue to increase. Under our standard construction contracts, we are responsible for key construction materials such as steel and bear any increases in material costs after a contract is entered into. Furthermore, prolonged increases in the price of construction materials will prompt contractors to change their fee quotes for new contracts, thus increasing our cost of sales and overall project cost. If we cannot sell our properties at prices sufficient to cover all our increased costs, we will not be able to achieve our target profit margins, and our profitability will be adversely impacted.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in real estate development in China, and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. During the Track Record Period, we recorded total LAT expenses of RMB1,095.2 million in our consolidated statements of income. Provisions for LAT are made upon recognition of revenue. As of the Latest Practicable Date, we had made all prepayments and/or full provisions for LAT in compliance with the relevant LAT laws and regulations in China as interpreted and enforced by the relevant local tax authorities. However, we cannot assure you that the relevant tax authorities will agree to the basis on which we have calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Our financial condition and results of operations may be materially adversely affected if our LAT liabilities as calculated by the relevant tax authorities are substantially higher than our provisions. We have provided more details on the PRC regulations on LAT in "Taxation and Foreign Exchange – Taxation of our Company – PRC Taxation – Land Appreciation Tax" in this prospectus.

Fair Value of Investment Properties

We have designated certain completed properties and properties under development as investment properties, as we intend to hold these properties on a long-term basis for rental income and capital appreciation. Our investment properties are recorded as non-current assets in our consolidated statements of financial position at fair value as of each balance sheet date as determined by independent valuations. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses upon revaluation in our consolidated statements of income, which may have a substantial effect on our profits. The valuation of property involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may have been higher or lower if a different set of bases or assumptions is used. In addition, upward revaluation adjustments reflect unrealised capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow for our operations or potential dividend distributions to our shareholders. The amounts of fair value adjustments have been, and may continue to change based on property market conditions in China. For the six months ended June 30, 2012, we recorded fair value gains of RMB1.1 million, compared with RMB271.4 million for the same period in 2011. We have recognised substantial gains from fair value changes in our investment properties during the Track Record Period, but we cannot assure you that similar levels of fair value gains can be sustained in the future.

CRITICAL ACCOUNTING POLICIES

We have identified below the accounting policies that we believe are the most critical to our consolidated financial statements. Our significant accounting policies are set forth in detail in Section II, note 2 to the "Accountant's Report" included as Appendix I to this prospectus. These accounting policies require subjective or complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our consolidated financial statements. The estimates and associated assumptions are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities are discussed in more detail in Section II, note 5 to the "Accountant's Report" included as Appendix I to this prospectus. We review our estimates and underlying assumptions on an ongoing basis.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of our activities. Revenue is shown net of returns, rebates and discounts and after eliminated sales within our Group. Revenue is recognised as follows:

(a) Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, assuming the collectibility of the related receivables is reasonably assured. Deposits and instalments received on pre-sale of properties sold prior to delivery are included in the consolidated statements of financial position as cash with a corresponding amount recorded under current liabilities.

(b) Rental income from properties leased under operating leases is recognised on a straight line basis over the relevant lease terms.

(c) Revenue from services is recognised when services have been provided, total amount of revenue and costs can be estimated reliably and the collectibility of the related receivables is reasonably assured.

(d) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, we reduce the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Investment Properties

Properties that we do not occupy and hold for long-term rental yields or capital appreciation, or both, are classified as investment properties. Properties that are currently being constructed or developed for future use as investment properties are also classified as investment properties and stated at fair value. An investment property is measured initially at cost, including related transaction costs. After initial recognition, an investment property is carried at fair value. Fair value assessments are based on active market prices and are adjusted, as necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, we use alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by external valuers.

Properties Held or Under Development for Sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value. The costs of properties held or under development consist of cost of leasehold land, construction expenditure, capitalised borrowing costs and other direct costs incurred during the development period. The costs of properties held are determined by apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to prevailing market conditions, less selling and marketing costs and other costs expected to be incurred before completion.

Borrowings Costs

Borrowing costs are capitalised if they are directly attributable to the development of properties for sale or the acquisition, construction or production of other qualifying assets. Capitalisation of borrowing costs commences when the activities to prepare the assets commence and expenditure and borrowing costs are incurred, and capitalisation ceases when the assets are substantially completed or ready for their intended use. Other borrowing costs are expensed in the period they are incurred.

Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

RESULTS OF OPERATIONS

The following table sets forth selected items from our consolidated statements of income and comprehensive income for the periods indicated. The fluctuations in our operating results reflect the cyclical nature of the real estate industry, the timing of our property development projects and revenue recognition, the unpredictable impact of government regulations on the property market and other factors beyond our control. Our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future. Therefore, our operating results may not be directly comparable from period to period, and our past performance may not be a reliable indicator of our future operating results.

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue	**5,803,275**	**7,621,374**	**10,767,254**	**2,941,943**	**3,747,072**
Cost of sales	(4,414,072)	(5,623,266)	(7,743,687)	(2,023,363)	(2,588,556)
Gross profit	**1,389,203**	**1,998,108**	**3,023,567**	**918,580**	**1,158,516**
Fair value gains on investment properties	377,994	443,201	273,493	271,353	1,084
Selling and marketing costs	(126,306)	(216,345)	(388,091)	(132,622)	(187,710)
Administrative expenses	(198,496)	(290,044)	(465,941)	(214,204)	(272,408)
Other income	70	12,252	39,493	9,493	7,998
Other expenses	(2,228)	(12,065)	(20,240)	(3,430)	(1,641)
Other (losses)/gains – net	(1,096)	4,930	58,076	3,668	6,690
Operating profit	**1,439,141**	**1,940,037**	**2,520,357**	**852,838**	**712,529**
Finance income	14,892	19,520	19,406	9,857	18,946
Finance costs	(90,523)	(161,414)	(154,548)	(107,507)	(57,514)
Finance costs – net	**(75,631)**	**(141,894)**	**(135,142)**	**(97,650)**	**(38,568)**
Share of results of an associated company	–	–	–	–	(1,896)
Profit before income tax	**1,363,510**	**1,798,143**	**2,385,215**	**755,188**	**672,065**
Income tax expense	(510,691)	(747,047)	(941,284)	(296,832)	(319,434)
Profit for the year/period	**852,819**	**1,051,096**	**1,443,931**	**458,356**	**352,631**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**852,819**	**1,051,096**	**1,443,931**	**458,356**	**352,631**
Attributable to:					
Equity holders of our Company	572,072	691,843	886,886	289,975	152,237
Non-controlling interests	280,747	359,253	557,045	168,381	200,394
	852,819	**1,051,096**	**1,443,931**	**458,356**	**352,631**

CERTAIN INCOME STATEMENT ITEMS

Revenue

We derive our revenue primarily from sales of properties and, to a lesser extent, property management, rental income and other property-related services. The following table sets forth our revenue by source for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue					
Sales of properties	5,761,703	7,557,473	10,688,562	2,895,375	3,653,850
Property management	37,330	54,396	72,088	40,992	70,277
Rental income	2,573	7,713	4,960	3,914	12,424
Others	1,669	1,792	1,644	1,662	10,521
Total	**5,803,275**	**7,621,374**	**10,767,254**	**2,941,943**	**3,747,072**

As we derive substantially all of our revenue from sales of properties, our results of operations for a given period are dependent upon the amount of total saleable GFA, the location and type of properties we completed and delivered during such period, market conditions and the contracted sales price of our properties.

The table below sets forth, for the years and the type of properties indicated, the total saleable GFA that we delivered and ASP for each type of property:

	Residential			Commercial(1)		
	Revenue	GFA	ASP	Revenue	GFA	ASP
	(RMB'000)	(sq.m.)	(RMB/sq.m.)	(RMB'000)	(sq.m.)	(RMB/sq.m.)
For the year ended December 31,						
2009	4,660,663	938,235	4,967	1,101,040	127,236	8,654
2010	6,118,660	1,069,641	5,720	1,438,813	142,049	10,129
2011	9,576,635	1,288,019	7,435	1,111,927	108,897	10,211
For the six months ended June 30,						
2011	2,276,126	380,166	5,987	619,249	67,006	9,242
2012	3,118,054	466,343	6,686	535,796	35,766	14,981

(1) Includes retail and commercial areas in residential projects and commercial properties in mixed-use complex projects.

Our overall ASP was RMB5,408 per sq.m., RMB6,237 per sq.m., RMB7,652 per sq.m. and RMB7,277 per sq.m. for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively.

Cost of Sales

Cost of sales consists primarily of the costs we incurred directly in relation to our property development activities as well as our leasing and property management operations. Cost of sales includes construction costs, land use rights costs, business tax and surcharges, capitalised interest and other business costs.

- *Construction costs*. These represent costs for the design and construction of a property project and consist primarily of fees paid to our contractors, including those responsible for civil engineering, construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction costs are affected by a number of factors such as the cost of construction materials, the location and type of properties being constructed, and investments in ancillary facilities.

- *Land use rights costs*. These represent costs relating to acquisition of the rights to occupy, use and develop land, including land grant fees, demolition and resettlement costs, and other land related taxes. These costs for a project are influenced by a number of factors, including the location of the underlying property, market conditions, the project's plot ratios, the designated use of the underlying property, our method of acquisition and changes in PRC regulations.

- *Business tax and surcharges*. Our operating subsidiaries in the PRC are subject to business tax on their revenues and surcharges. Sales of properties were subject to a 5% business tax during the Track Record Period. Surcharges vary by city.

- *Capitalised interest*. We capitalise a portion of our borrowing costs to the extent that such costs are directly attributable to the development of a particular project. Costs that are not directly attributable to the development of a project are expensed and recorded as finance costs in our consolidated statements of income and therefore fluctuations in the amount of our borrowing costs that can be capitalised from period to period will affect our finance costs.

- *Other costs*. We incur other business costs primarily in relation to our leasing and property management operations, including a 5% business tax on the leasing of investment properties and the provision of property management services.

Our development costs, which consist of construction costs, land use rights costs and capitalised interest, increased from RMB3,987.8 million for the year ended December 31, 2009 to RMB5,112.8 million for the year ended December 31, 2010, and further to RMB6,673.3 million for the year ended December 31, 2011. Our development costs increased from RMB1,803.1 million in the six months ended June 30, 2011 to RMB2,330.2 million in the six months ended June 30, 2012. Our average cost per sq.m. sold also increased from RMB3,743 per sq.m. for the year ended December 31, 2009 to RMB4,220 per sq.m. for the year ended December 31, 2010, and further to RMB4,747 per sq.m. for the year ended December 31, 2011. Our average cost per sq.m. sold increased from RMB4,032 per sq.m. in the six months ended June 30, 2011 to RMB4,641 per sq.m. in the six months ended June 30, 2012. The increase in development costs and average cost per sq.m. sold during the Track Record Period was primarily due to (i) an increase in construction costs as a result of the construction of more fully fitted-out properties with interior decoration, (ii) an increase in land use rights costs, and (iii) a higher percentage of properties being delivered in Shanghai starting in 2011, which incurred higher overall costs.

Our accrual of provision for properties held for sale represents the impairment charge we made in connection with certain properties held for sale. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our accrual of provision for properties held for sale charged into our consolidated statements of income was RMB56.9 million, RMB12.6 million, RMB398.7 million and nil, respectively. As market value for car parking space varies across different locations and projects, the estimated recoverable amounts for certain car parking spaces in certain projects fell below the respective development costs during the Track Record Period. As a result, we incurred impairment loss for our car parking spaces of RMB56.9 million, RMB12.6 million and RMB83.2 million for the years ended December 31, 2009, 2010 and 2011, respectively. Furthermore, in response to downward pricing pressures in the PRC property market starting in the second half of 2011, we made impairment charges in connection with certain properties held for sale based on an in-depth review of the average selling price of properties in areas where our projects under development are located. Our Directors are of the view that, as of December 31, 2011, the market price, and correspondingly the total recoverable amounts, of the properties comprising our Future Land Consequence Project in Changzhou, our Legend Mansion Project in Shanghai and the car parks in a number of our projects under development were lower than the respective carrying amounts of such properties and car parks. Accordingly, in 2011 we recorded a total impairment loss of RMB85.0 million in connection with Future Land Consequence and RMB218.5 million in connection with Legend Mansion.

The following table sets forth information relating to our cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Development Costs:										
Construction costs	2,707,385	61.3	3,525,464	62.7	4,640,411	59.9	1,275,244	63.0	1,665,394	64.3
Land use rights costs	1,139,122	25.8	1,458,436	25.9	1,634,569	21.1	436,073	21.5	504,304	19.5
Capitalised interest	141,251	3.2	128,860	2.3	398,288	5.2	91,755	4.5	160,463	6.2
	3,987,758	90.3	5,112,760	90.9	6,673,268	86.2	1,803,072	89.0	2,330,161	90.0
Staff costs	35,860	0.8	57,114	1.0	61,105	0.8	42,791	2.1	38,802	1.5
Accrual of provision for properties held for sale	56,891	1.3	12,587	0.2	398,726	5.1	10,344	0.5	–	–
Other costs	12,498	0.3	18,494	0.4	10,073	0.1	7,381	0.4	8,077	0.3
	105,249	2.4	88,195	1.6	469,904	6.0	60,516	3.0	46,879	1.8
Business tax and surcharges	321,065	7.3	422,311	7.5	600,515	7.8	159,775	8.0	211,516	8.2
Total	**4,414,072**	**100.0**	**5,623,266**	**100.0**	**7,743,687**	**100.0**	**2,023,363**	**100.0**	**2,588,556**	**100.0**
Total GFA delivered (sq.m.)	1,065,471		1,211,690		1,396,916		447,172		502,109	
Average cost per sq.m. sold (RMB)(1)	3,743		4,220		4,747		4,032		4,641	
Average selling price per sq.m. sold (RMB)	5,408		6,237		7,652		6,475		7,277	
Average cost as % of average selling price	69.2		67.7		62.4		62.3		63.8	

(1) Average cost per sq.m. sold refers to the average cost of our property sales (excluding our leasing and property management operations) and is derived by dividing the sum of construction costs, land use rights costs and capitalised interest for a period by the total GFA delivered in that period.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales. Our gross profit for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 was RMB1,389.2 million, RMB1,998.1 million, RMB3,023.6 million and RMB1,158.5 million, respectively. Our gross profit margin for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 was 23.9%, 26.2%, 28.1% and 30.9%, respectively.

We incurred significant interest expenses in relation to our bank borrowings and trust financing arrangements. Our capitalised interests included in cost of sales were approximately RMB141.3 million, RMB128.9 million, RMB398.3 million and RMB160.5 million for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. Most of our interest expenses have been or will be capitalised as properties under development rather than being recorded as expenses in our income statement upon their incurrence. Such capitalised interest expenses will be recorded as expenses in our consolidated income statements as a portion of cost of sales upon the sale of the relevant properties. Accordingly, such capitalised interest expenses may adversely affect our gross profit margin upon recognition of the sale of the relevant properties in 2012 and future periods. The amount of borrowing costs capitalised in connection with properties under development for sale and properties held for sale for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 was RMB145.9 million, RMB312.9 million, RMB788.2 million and RMB450.0 million, respectively.

Fair Value Gains on Investment Properties

We develop and hold certain of our commercial properties such as retail shops, shopping malls and car parks for rental income or capital appreciation. Our investment properties are appraised annually by an independent property valuer. Any appreciation or depreciation in our investment property value is recognised as fair value gains or losses in our consolidated statements of income. The fair value gains on investment properties for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were RMB378.0 million, RMB443.2 million, RMB273.5 million and RMB1.1 million, respectively.

The following table sets forth the fair value gains on our investment properties that were completed or under development for the periods indicated:

	Completed	Under development	Total
	(RMB'000)	(RMB'000)	(RMB'000)
At January 1, 2009	7,700	–	7,700
Additions	–	222,606	222,606
Fair value gains	600	377,394	377,994
At December 31, 2009	8,300	600,000	608,300
Additions	–	291,399	291,399
Fair value gains	600	442,601	443,201
At December 31, 2010	8,900	1,334,000	1,342,900
Additions	–	831,507	831,507
Disposal	(4,700)	–	(4,700)
Fair value gains	–	273,493	273,493
At December 31, 2011	4,200	2,439,000	2,443,200
Additions	–	221,916	221,916
Completion of project	1,415,390	(1,415,390)	–
Fair value gains	610	474	1,084
At June 30, 2012	1,420,200	1,246,000	2,666,200

Selling and Marketing Costs

Selling and marketing costs consist primarily of advertising and publicity expenses, sales commissions, including commissions in relation to our outsourced marketing activities, selling and marketing staff costs, expenses relating to exhibitions and trade fairs and other expenses relating to sales of our properties, including advertisements on television and in newspapers, magazines, and on billboards.

The following table sets forth our selling and marketing costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Selling and marketing costs					
Sales commission	46,955	74,009	123,881	34,449	70,980
Advertising and publicity costs	56,089	111,334	228,741	75,746	92,655
Staff costs	6,874	7,337	13,535	6,201	10,025
Others	16,388	23,665	21,934	16,226	14,050
Total	**126,306**	**216,345**	**388,091**	**132,622**	**187,710**

Administrative Expenses

Administrative expenses consist primarily of administrative staff costs, depreciation, travelling expenses, rental payments, entertainment expenses and other office expenses.

The following table sets forth our administrative expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Administrative expenses					
Depreciation of property, plant and equipment	7,485	7,659	16,650	7,882	10,051
Amortisation of intangible assets	523	499	1,292	291	999
Bank charges	2,934	8,359	16,914	8,216	5,778
Staff costs	95,731	143,469	251,869	114,923	166,960
Entertainment expenses	37,860	47,901	69,234	30,211	31,027
Stamp duty and other taxes	16,001	22,366	27,729	10,005	10,995
Professional fees[(1)]	13,295	13,102	18,983	14,561	11,071
Auditors' remuneration	1,300	2,100	4,250	3,000	2,000
Non-audit service fees to auditors	–	243	636	180	235
Rental expenses	12,994	18,974	20,386	10,850	11,891
Travelling expenses	3,595	6,156	9,339	3,272	3,221
Others	6,778	19,216	28,659	10,813	18,180
Total	**198,496**	**290,044**	**465,941**	**214,204**	**272,408**

(1) Professional fees represent the fees paid to our legal advisers and property valuer and other professional parties, mainly in connection with the Global Offering. Such professional fees also include certain fees paid to our auditor, legal advisers and other professional parties who had provided professional services to our Group in our ordinary course of business that are not associated with the Global Offering.

Other Income/Other Expenses/Other Net Gains/Losses

Our other income, other expenses and other net gains/losses primarily consist of government grants, compensation for the return of land use rights or relating to law suits, gain from disposal of available-for-sale financial assets, donations and expenses relating to third-party services.

The following table sets forth our other income, other expenses and other gains/(losses) for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Other income					
Government grants[1]	70	1,734	–	–	3,498
Compensation for return of land use rights	–	10,518[2]	5,743	5,743	–
Dividend income on available-for-sale financial assets	–	–	3,750	3,750	4,500
Compensation received for lawsuits[3]	–	–	30,000	–	–
	70	12,252	39,493	9,493	7,998
Other expenses					
Donations[4]	(2,228)	(12,065)	(6,183)	(3,430)	(1,641)
Pre-IPO share award scheme expense – value of third party services	–	–	(14,057)	–	–
	(2,228)	(12,065)	(20,240)	(3,430)	(1,641)
Other gains/(losses) – net					
Gain from disposal of an investment property	–	–	750	750	–
Gains/(losses) from disposals of property, plant and equipment	(131)	(3,079)	(40)	609	(18)
Gain from disposal of available-for-sale financial assets[5]	–	–	50,266	–	–
Others	(965)	8,009	7,100	2,309	6,708
Total	**(1,096)**	**4,930**	**58,076**	**3,668**	**6,690**

(1) Government grants for each period refer to the aggregate amount of grants that our subsidiaries have received from relevant local governmental authorities during the period to encourage property development and redevelopment in certain areas. The grant amounts were calculated based on the tax contributions of such subsidiaries. These government grants are non-recurring.

(2) We received compensation from the Changzhou government for returning certain of our land use rights upon the request by Changzhou government to accommodate changes in city planning.

(3) We received a compensation of RMB30 million in December 2011 in connection with a law suit which we filed in August 2009 against Shanghai Baoye Construction Co., Ltd. (上海寶冶建設有限公司) and Shanghai Zhongye Xinyu Property Co., Ltd. (上海中冶新域置業有限公司) for their breach of a cooperation agreement we entered into with them for the development of certain land parcels located in Pudong District, Shanghai.

(4) Donations for each year refer to the aggregate amount of donations we have made to various local schools, kindergartens, Red Cross and other charitable organizations during the year for different purposes, including promotion of education in local schools, relief for earthquake-affected areas and other social charitable purposes. These donations are non-recurring.

(5) We had a net gain of RMB50 million from the disposal of a 5% equity interest in Suzhou Fei Cui International Community Property Co., Ltd. in September 2011. We had a net gain of RMB266,000 from the disposal of our public investment fund in November 2011.

Finance Costs – Net

Our finance costs primarily consist of interest expenses on bank loans and trust financing arrangements less capitalised interest and finance income. Interest on borrowings relating to project development is capitalised to the extent they are directly attributable to a particular project and used to finance the development of that project. Because the development period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalised. As a result, our finance costs fluctuate from period to period depending on the amount of interest costs that are capitalised within the reporting period.

Our interest expenses incurred in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were RMB242.4 million, RMB540.6 million, RMB1,026.0 million and RMB544.4 million, respectively.

Income Tax Expense

Our income tax expense for a given period includes provisions made for LAT, PRC corporate income tax and deferred income tax during the year. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our effective corporate income tax rate[(1)] was 27.9%, 27.7%, 27.7% and 28.1%, respectively.

The following table sets forth our income tax expense for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Current income tax					
PRC land appreciation tax	180,776	344,503	388,216	113,995	181,715
PRC corporate income tax	280,196	357,272	624,707	113,628	116,953
	460,972	701,775	1,012,923	227,623	298,668
Deferred income tax	49,719	45,272	(71,639)	69,209	20,766
Total income tax charged for the year	**510,691**	**747,047**	**941,284**	**296,832**	**319,434**

(1) Our effective corporate income tax rate is calculated as:

$$\text{Effective corporate income tax rate} = \frac{\text{PRC corporate income tax + Deferred income tax}}{\text{Profit before income tax - PRC land appreciation tax}} \times 100\%$$

REVIEW OF HISTORICAL OPERATING RESULTS

Six months ended June 30, 2012 compared to six months ended June 30, 2011

Revenue

Our revenue increased by RMB805.1 million, or 27.4%, from RMB2,941.9 million in the six months ended June 30, 2011 to RMB3,747.1 million in the six months ended June 30, 2012. This increase was primarily driven by the increase in revenue from property sales from RMB2,895.4 million in the six months ended June 30, 2011 to RMB3,653.9 million in the six months ended June 30, 2012. Our total GFA delivered increased by 12.3% from 447,172 sq.m. in the six months ended June 30, 2011 to 502,109 sq.m. in the six months ended June 30, 2012. Our ASP relating to revenue from property sales increased by 12.4% from RMB6,475 per sq.m. in the six months ended June 30, 2011 to RMB7,277 per sq.m. in the six months ended June 30, 2012. The increase in ASP in the six months ended June 30, 2012 was primarily due to a higher percentage of property sales of high-end properties, which had higher selling prices. The following table sets forth certain revenue information relating to the main properties we delivered for sale during the periods indicated:

		Six months ended June 30,							
		2011				2012			
Project	Location	Revenue	GFA	ASP	Percentage of Total Property Sales	Revenue	GFA	ASP	Percentage of Total Property Sales
		(RMB million)	(Sq.m.)	(RMB/Sq.m.)		(RMB million)	(Sq.m.)	(RMB/Sq.m.)	
Park View International Community (上海新城金郡)	Shanghai	135.2	9,401	14,379	4.7%	377.6	26,621	14,184	10.3%
Future Capital (新城首府)	Changzhou	183.0	10,793	16,960	6.3%	154.3	9,821	15,711	4.2%
Xincheng Geniality Bay (常州清水灣)	Changzhou	152.9	48,695	3,139	5.3%	1,032.5	205,077	5,035	28.3%
Kunshan Future Land Territory (昆山新城域)	Kunshan	163.9	26,707	6,136	5.7%	9.2	1,589	5,778	0.3%
Oannes (翡翠灣)	Kunshan	305.1	54,363	5,611	10.5%	0.7	198	3,499	0.0%
Glorious View Garden (盛景園)	Shanghai	848.4	69,005	12,295	29.3%	–	–	–	–
Park No.1 (公園壹號)	Changzhou	569.1	121,963	4,666	19.7%	0.9	208	4,441	0.0%
Fuhan Garden (府翰苑)	Changzhou	230.8	35,281	6,543	8.0%	9.0	1,492	6,006	0.2%
Future Land Splendid Park (新城熙園)	Changzhou	82.8	18,363	4,511	2.9%	15.3	2,527	6,048	0.4%
Lakeview (湖畔春秋)	Changzhou	60.0	5,554	10,811	2.1%	36.4	2,860	12,729	1.0%
Changzhou New City Residence (常州新城公館)	Changzhou	30.3	3,615	8,384	1.0%	71.5	14,762	4,844	2.0%
Yulong Bay (玉龍灣)	Changzhou	–	–	–	–	39.8	5,133	7,754	1.1%
Changzhou Future Land Golden County (常州新城金郡)	Changzhou	–	–	–	–	931.6	69,264	13,450	25.5%
Xincheng Future Town (常州新城域)	Changzhou	–	–	–	–	343.7	71,491	4,808	9.4%
Injoy Plaza (吾悦廣場)	Changzhou	–	–	–	–	64.5	5,609	11,499	1.8%
Suzhou Future Land Golden County (蘇州新城金郡)	Suzhou	19.0	3,531	5,370	0.7%	455.1	58,456	7,785	12.5%
Wuxi Shengshi Future Land (無錫盛世新城)	Wuxi	11.9	2,073	5,745	0.4%	54.6	6,113	8,932	1.5%
Total		**2,792.4**	**409,344**	**6,822**	**96.4%**	**3,596.6**	**480,815**	**7,480**	**98.4%**

Cost of Sales

Our cost of sales increased by RMB565.2 million, or 27.9%, from RMB2,023.4 million in the six months ended June 30, 2011 to RMB2,588.6 million in the six months ended June 30, 2012. This increase was primarily due to an increase in GFA delivered, which increased by 12.3% from 447,172 sq.m. in the six months ended June 30, 2011 to 502,109 sq.m. in the six months ended June 30, 2012, and an increase in average cost per sq.m. sold from RMB4,032 per sq.m. in the six months ended June 30, 2011 to RMB4,641 per sq.m. in the six months ended June 30, 2012. The increase in average cost per sq.m. sold in the six months ended June 30, 2012 was primarily due to the higher costs associated with the mix of properties delivered during the period, including a higher percentage of high-end fitted out properties which involved higher costs.

Gross Profit

As a result of the foregoing, our gross profit increased by RMB239.9 million, or 26.1%, from RMB918.6 million in the six months ended June 30, 2011 to RMB1,158.5 million in the six months ended June 30, 2012. Our overall gross profit margin remained relatively stable at 31.2% and 30.9% in the six months ended June 30, 2011 and 2012, respectively.

Fair Value Gains on Investment Properties

Our fair value gains on investment properties decreased by RMB270.3 million, or 99.6%, from RMB271.4 million in the six months ended June 30, 2011 to RMB1.1 million in the six months ended June 30, 2012. The relatively small amount of fair value gains recognised for the six months ended June 30, 2012 was primarily because (i) no new investment properties were developed during this period, and (ii) the estimated rental rates and occupancy rates for both Injoy International Plaza and Injoy Plaza remained flat as compared to December 31, 2011. The following table sets forth the fair value gains on Injoy International Plaza and Injoy Plaza during the periods indicated:

	Six months ended June 30,			
	2011		2012	
	Completed	Under development	Completed	Under development
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Injoy International Plaza	–	10,076	–	474
Injoy Plaza	–	261,277	610	–

Selling and Marketing Costs

Our selling and marketing costs increased by RMB55.1 million, or 41.5%, from RMB132.6 million in the six months ended June 30, 2011 to RMB187.7 million in the six months ended June 30, 2012, primarily due to (i) an increase in advertising and publicity expenses in connection with the increase in our sales of properties, and (ii) an increase in commissions to our sales agents, as a higher percentage of sales were in Shanghai, where the sales commissions are generally higher than other cities.

Administrative Expenses

Our administrative expenses increased by RMB58.2 million, or 27.2%, from RMB214.2 million in the six months ended June 30, 2011 to RMB272.4 million in the six months ended June 30, 2012. The increase was primarily due to an increase in staff costs resulting from an increase in our staff headcount, as well as an increase in salary levels of our staff.

Finance Costs – Net

Our net finance costs decreased by RMB59.1 million, or 60.5%, from RMB97.7 million in the six months ended June 30, 2011 to RMB38.6 million in the six months ended June 30, 2012. This decrease was primarily due to an increase in the amount of finance costs capitalised, which was partially offset by an increase in the interest on our bank loans and trust financing arrangements, primarily as a result of the increase in the weighted average effective interest rates of our bank loans.

Income Tax Expense

Our income tax expense increased by RMB22.6 million, or 7.6%, from RMB296.8 million in the six months ended June 30, 2011 to RMB319.4 million in the six month ended June 30, 2012. The increase was primarily due to the increase in our PRC land appreciation tax in the six months ended June 30, 2012 as a result of the increase in our profit before income tax during the same period.

Profit for the Period

As a result of the foregoing, our profit decreased by RMB105.7 million, or 23.1%, from RMB458.4 million in the six months ended June 30, 2011 to RMB352.6 million in the six months ended June 30, 2012, primarily as a result of a decrease in fair value gains on investment properties, as described above. Our net profit margin decreased from 15.6% in the six months ended June 30, 2011 to 9.4% in the six months ended June 30, 2012. The decrease in our net profit margin was primarily due to the decrease in net profit margin before interest and tax from 29.0% in the six months ended June 30, 2011 to 19.0% in the six months ended June 30, 2012, primarily as a result of the decrease in fair value gains on investment properties, partially offset by the decrease in finance costs from RMB97.7 million in the six months ended June 30, 2011 to RMB38.6 million in the six months ended June 30, 2012.

Year ended December 31, 2011 compared to the year ended December 31, 2010

Revenue

Our revenue increased by RMB3,145.9 million, or 41.3%, from RMB7,621.4 million in 2010 to RMB10,767.3 million in 2011. This increase was primarily driven by the increase in revenue from property sales from RMB7,557.5 million in 2010 to RMB10,688.6 million in 2011. Our total GFA delivered increased by 15.3% from 1,211,690 sq.m. in 2010 to 1,396,916 sq.m. in 2011. Our ASP of property sales increased by 22.7% from RMB6,237 per sq.m. in 2010 to RMB7,652 per sq.m. in 2011. The increase in ASP was primarily due to a higher percentage of our properties being delivered in Shanghai, where the property prices were generally higher than other cities. The following table sets forth certain revenue information relating to the main properties we delivered for sale during the years indicated:

		Year ended December 31,							
		2010				2011			
Project	Location	Revenue	GFA	ASP	Percentage of total property sales	Revenue	GFA	ASP	Percentage of total property sales
		(RMB million)	(sq.m.)	(RMB/sq.m.)		(RMB million)	(sq.m.)	(RMB/sq.m.)	
Kunshan Future Land Territory (昆山新城域)	Kunshan	928.8	189,480	4,902	12.3%	474.4	72,929	6,500	4.4%
Future Land Glorious View Garden (新城盛景園)	Shanghai	599.3	74,531	8,041	7.9%	855.1	69,525	12,300	8.0%
Changzhou New City Residence (常州新城公館)	Changzhou	546.1	101,527	5,379	7.2%	1,076.0	122,556	8,780	10.1%
Glorious Century Future Land (盛世新城)	Wuxi	722.9	120,868	5,981	9.6%	1,010.1	128,035	7,889	9.5%
Park View International Community (上海新城金郡)	Shanghai	464.1	28,575	16,241	6.1%	1,085.2	63,290	14,340	10.2%
Future Capital (新城首府)	Changzhou	371.9	30,171	12,327	4.9%	1,140.4	82,597	13,807	10.7%
Future Land Long Island (新城長島)	Changzhou	415.9	89,333	4,655	5.5%	20.9	5,769	3,623	0.2%
Suzhou Future Land Golden County (蘇州新城金郡)	Suzhou	919.5	154,267	5,960	12.2%	280.8	36,677	7,656	2.6%
Wanbo Fashion Mall (北岸城)	Changzhou	511.1	19,344	26,421	6.8%	10.0	8,398	1,191	0.1%
Changzhou Upper East (常州尚東區)	Changzhou	398.4	69,896	5,700	5.3%	21.4	7,733	2,769	0.2%
YOHO City (悠活城)	Shanghai	–	–	–	–	847.4	57,324	14,783	7.9%
Injoy Plaza (吾悦廣場)	Changzhou	–	–	–	–	810.4	123,690	6,552	7.6%
Park No. 1 (公園壹號)	Changzhou	161.3	20,167	7,998	2.1%	620.2	129,976	4,771	5.8%
Xincheng Geniality Bay (常州清水灣)	Changzhou	159.7	43,776	3,648	2.1%	476.1	132,053	3,605	4.5%
Total		**6,199.0**	**941,936**	**6,581**	**82.0%**	**8,697.0**	**1,024,420**	**8,520**	**81.7%**

Cost of Sales

Our cost of sales increased by RMB2,120.4 million, or 37.7%, from RMB5,623.3 million in 2010 to RMB7,743.7 million in 2011. This increase was primarily due to an increase in GFA delivered, which increased by 15.3% from 1,211,690 sq.m. in 2010 to 1,396,916 sq.m. in 2011, and an increase in average cost per sq.m. sold from RMB4,220 per sq.m. in 2010 to RMB4,747 per sq.m. in 2011. The increase in average cost per sq.m. sold was primarily due to (i) a higher percentage of properties being delivered in Shanghai, which incurred higher overall costs, (ii) a higher percentage of fitted out properties being delivered, which had higher costs, and (iii) an increase in construction costs during 2011.

Gross Profit

As a result of the foregoing, our gross profit increased by RMB1,025.5 million, or 51.3%, from RMB1,998.1 million in the year ended December 31, 2010 to RMB3,023.6 million in the year ended December 31, 2011. Our overall gross profit margin increased from 26.2% in 2010 to 28.1% in 2011. This increase in our gross profit margin was primarily due to (i) an increase in the ASP as a result of a higher percentage of properties being delivered in Shanghai where the ASP was higher, and (ii) a higher percentage of fitted out properties being delivered, which generated higher profit margin.

Fair Value Gains on Investment Properties

Our fair value gains on investment properties decreased by RMB169.7 million, or 38.3% from RMB443.2 million in 2010 to RMB273.5 million in 2011. This decrease was primarily due to the facts that (i) no new investment properties were developed during the period, and (ii) the increase in the estimated rental rates for Injoy International Plaza and Injoy Plaza in 2011 was less than that in the prior period. The following table sets forth the fair value gains on Injoy International Plaza and Injoy Plaza during the periods indicated:

	Year ended December 31,			
	2010		2011	
	Completed	Under development	Completed	Under development
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Injoy International Plaza	–	99,578	–	5,577
Injoy Plaza	–	343,023	–	267,916

Selling and Marketing Costs

Our selling and marketing costs increased by RMB171.8 million, or 79.4%, from RMB216.3 million in 2010 to RMB388.1 million in 2011, primarily due to (i) an increase in advertising and publicity expenses in connection with our pre-sales of properties in response to changing market conditions in 2011, and (ii) an increase in sales commissions from the increase in our sales.

Administrative Expenses

Our administrative expenses increased by RMB175.9 million, or 60.7%, from RMB290.0 million in 2010 to RMB465.9 million in 2011. The increase was primarily due to (i) an increase in staff costs resulting from an increase in our staff headcount, as well as an increase in the salary levels of our staff; and (ii) an increase in professional fees incurred in connection with the Global Offering.

Finance Costs – Net

Our net finance costs decreased by RMB6.8 million, or 4.8%, from RMB141.9 million in 2010 to RMB135.1 million in 2011. This decrease was primarily due to an increase in the amount of finance costs capitalised, which was partially offset by an increase in interest on our bank loans and trust financing arrangements.

Income Tax Expense

Our income tax expense increased by RMB194.3 million, or 26.0%, from RMB747.0 million in 2010 to RMB941.3 million in 2011. The increase was primarily due to the increase in profit before income tax of RMB587.1 million from 2010 to 2011.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB392.8 million, or 37.4%, from RMB1,051.1 million in 2010 to RMB1,443.9 million in 2011, primarily as a result of the increase in revenue from property sales. Our net profit margin decreased slightly from 13.8% in 2010 to 13.4% in 2011. The decrease in our net profit margin was primarily due to the decrease in fair value gains on investment properties, partially offset by the decrease in finance costs from RMB141.9 million in 2010 to RMB135.1 million in 2011.

Year ended December 31, 2010 compared to year ended December 31, 2009

Revenue

Our revenue increased by RMB1,818.1 million, or 31.3%, from RMB5,803.3 million in 2009 to RMB7,621.4 million in 2010. This increase was primarily driven by an increase in revenue from property sales from RMB5,761.7 million in 2009 to RMB7,557.5 million in 2010. During 2010, the total GFA delivered increased by 13.7% from 1,065,471 sq.m. in 2009 to 1,211,690 sq.m. in 2010. Our ASP for 2010 increased by 15.3% year-on-year, because a number of new projects delivered in 2010, such as Wanbo Fashion Mall, Park View International Community and Future Capital, had substantially higher ASP.

The following table sets forth certain revenue information relating to the main properties we delivered during the years indicated:

		Year ended December 31,							
		2009				2010			
Project	Location	Revenue	GFA	ASP	Percentage of total property sales	Revenue	GFA	ASP	Percentage of total property sales
		(RMB million)	(sq.m.)	(RMB/sq.m.)		(RMB million)	(sq.m.)	(RMB/sq.m.)	
Kunshan Future Land Territory (昆山新城域)	Kunshan	340.2	78,714	4,322	5.9%	928.8	189,480	4,902	12.3%
Future Land Glorious View Garden (新城盛景園)	Shanghai	991.4	125,287	7,913	17.2%	599.3	74,531	8,041	7.9%
Changzhou New City Residence (常州新城公館)	Changzhou	466.9	81,868	5,703	8.1%	546.1	101,527	5,379	7.2%
Future Land Long Island (新城長島)	Changzhou	357.3	90,370	3,953	6.2%	415.9	89,333	4,655	5.5%
Future Land Southern Metropolis (新城南都)	Changzhou	374.7	88,725	4,223	6.5%	261.6	65,302	4,006	3.5%
Future Land Blue Diamond (Phase 2) (新城藍鑽二期)	Changzhou	341.8	69,962	4,886	5.9%	10.9	2,440	4,452	0.1%
Changzhou Future Land Scenic Garden (常州新城逸境)	Changzhou	368.8	75,261	4,901	6.4%	29.3	8,658	3,380	0.4%
Future Land Emporium (新城帝景)	Changzhou	353.8	21,647	16,343	6.1%	71.2	5,056	14,088	0.9%
Oannes (翡翠灣)	Kunshan	277.1	71,584	3,871	4.8%	18.7	4,823	3,875	0.2%
Suzhou Future Land Golden County (蘇州新城金郡)	Suzhou	–	–	–	–	919.5	154,267	5,960	12.2%
Glorious Century Future Land (盛世新城)	Wuxi	–	–	–	–	722.9	120,868	5,981	9.6%
Wanbo Fashion Mall (北岸城)	Changzhou	–	–	–	–	511.1	19,344	26,421	6.8%
Park View International Community (上海新城金郡)	Shanghai	–	–	–	–	464.1	28,575	16,241	6.1%
Changzhou Upper East (常州尚東區)	Changzhou	337.3	62,711	5,379	5.9%	398.4	69,896	5,700	5.3%
Future Capital (新城首府)	Changzhou	–	–	–	–	371.9	30,171	12,327	4.9%
Total		**4,209.3**	**766,129**	**4,823**	**73.1%**	**6,269.6**	**964,272**	**6,502**	**83.0%**

Cost of Sales

Our cost of sales increased by RMB1,209.2 million, or 27.4%, from RMB4,414.1 million in 2009 to RMB5,623.3 million in 2010. This increase was primarily due to an increase in GFA delivered, which increased from 1,065,471 sq.m. in 2009 to 1,211,690 sq.m. in 2010 and an increase of average cost per sq.m. sold from RMB3,743 per sq.m. in 2009 to RMB4,220 per sq.m. in 2010, as a result of increases in construction costs and land use rights costs during this period.

Gross Profit

As a result of the foregoing, our gross profit increased by RMB608.9 million, or 43.8%, from RMB1,389.2 million in 2009 to RMB1,998.1 million in 2010. Our gross profit margin increased from 23.9% in 2009 to 26.2% in 2010. This increase in our gross profit margin was primarily due to (i) an increase in revenue from commercial properties, which typically have higher gross profit margins than residential properties, and (ii) an increase in the ASP from 2009 to 2010.

Fair Value Gains on Investment Properties

Our fair value gains on investment properties increased by RMB65.2 million, from RMB378.0 million in 2009 to RMB443.2 million in 2010. This increase was primarily due to the commencement of development of Injoy Plaza in 2010. The following table sets forth the fair value gains on Injoy Plaza and Injoy International Plaza during the periods indicated:

	Year ended December 31,			
	2009		2010	
	Completed	Under development	Completed	Under development
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Injoy International Plaza	–	377,394	–	99,578
Injoy Plaza	–	–	–	343,023

Selling and Marketing Costs

Our selling and marketing costs increased by RMB90.0 million, or 71.3%, from RMB126.3 million in 2009 to RMB216.3 million in 2010, primarily due to (i) an increase in commissions to our third-party sales agents related to the increase in our sales and (ii) an increase in advertising and publicity expenses in several cities.

Administrative Expenses

Our administrative expenses increased by RMB91.5 million, or 46.1%, from RMB198.5 million in 2009 to RMB290.0 million in 2010. The increase was primarily due to the relocation of our headquarters to Shanghai in October 2009 and the corresponding increase in staff costs and office expenses.

Finance Costs – Net

Our net finance costs increased by RMB66.3 million, or 87.6%, from RMB75.6 million in 2009 to RMB141.9 million in 2010. This was primarily due to an increase in certain finance costs that cannot be capitalised as the corresponding borrowings were not directly attributable to specific project construction.

Income Tax Expense

Our income tax expense increased by RMB236.4 million, or 46.3%, from RMB510.7 million in 2009 to RMB747.0 million in 2010. The increase was primarily due to the increase in profit before income tax of RMB434.6 million and an increase in land appreciation tax of RMB163.7 million for 2010 due to increase in proceeds from sales of properties.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB198.3 million, or 23.2%, from RMB852.8 million in 2009 to RMB1,051.1 million in 2010, primarily as a result of the increase in revenues from property sales and an increase in fair value gains on Injoy Plaza from 2009 to 2010. Our net profit margin decreased from 14.7% in 2009 to 13.8% in 2010. The decrease in our net profit margin was primarily as a result of the increase in net finance costs from RMB75.6 million in 2009 to RMB141.9 million in 2010, due to an increase in certain finance costs that cannot be capitalised as the corresponding borrowings were for general operating purpose rather than for specific project constructions. In addition, land appreciation tax increased from RMB180.8 million in 2009 to RMB344.5 million in 2010, due to the higher gross margins of the projects, which caused higher tax rates.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We operate in a capital-intensive industry and have primarily financed our working capital, capital expenditure and other capital requirements through borrowings from financial institutions, proceeds from the pre-sales and sales of properties and income generated from our property management services and investment properties.

Cash Flows

The following table sets forth a summary of our consolidated statement of cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Selected cash flow statement data					
Net cash generated from/(used in) operating activities	565,697	(2,197,640)	(950,575)	(2,561,751)	636,829
Net cash used in investing activities	(202,228)	(379,975)	(916,526)	(228,412)	(177,979)
Net cash generated/(used in) from financing activities	770,671	4,364,150	2,137,410	1,444,486	(1,139,072)
Net increase/(decrease) in cash and cash equivalents	1,134,140	1,786,535	270,309	(1,345,677)	(680,222)
Cash and cash equivalents at beginning of the year/period	1,030,574	2,164,714	3,951,249	3,951,249	4,221,558
Cash and cash equivalents at end of the year/period	2,164,714	3,951,249	4,221,558	2,605,572	3,541,336

Net cash generated from or used in operating activities

We generate our cash from operating activities primarily from proceeds received from pre-sales and sales of our properties and rental income. Our cash used in operating activities is primarily for our property development activities and land acquisitions.

Our net cash flow generated from operating activities reflects our profit before income tax, as adjusted for non-cash items, such as fair value gains on investment properties, finance costs and accrual of provision for properties held for sale, and the effects of changes in working capital, such as increases or decreases in payments for properties held or under development for sale, advances from pre-sale of properties, prepayments for leasehold land and trade and other payables.

In the six months ended June 30, 2012, we had a net cash inflow from operating activities of RMB636.8 million, primarily due to (i) net operating cash flow before working capital changes of RMB741.1 million, (ii) an increase in advances from pre-sales of properties of RMB3,458.0 million, in connection with projects mainly including Shanghai Petrus Hacienda (上海森蘭碧翠園),

Shanghai Gorgeous Mansion (上海憶華里), Park View International Community (上海新城金郡) and Suzhou Future Land Golden County (蘇州新城金郡), and (iii) an increase in trade and other payables of RMB1,038.7 million, as a result of increased property development activities. Cash generated from operating activities was offset by cash used for (i) properties held or under development for sale, excluding capitalised interest, of RMB2,617.7 million due to increased expenditures on land use rights, in connection with projects such as Changzhou Future Land Golden County (常州新城金郡) and Suzhou Future Land Golden County (蘇州新城金郡), and increased construction costs, and (ii) payment of interest and PRC income tax and PRC land appreciation tax of RMB1,315.9 million. Our improved net operating cash flow for the six months ended June 30, 2012 was primarily due to the increase in advances from pre-sales of properties in connection with our new project, Shanghai Petrus Hacienda (上海森蘭碧翠園), and new phases of development of our existing projects, namely, Shanghai Gorgeous Mansion (上海憶華里), Park View International Community (上海新城金郡) and Suzhou Future Land Golden County (蘇州新城金郡).

In 2011, we had a net cash outflow from operating activities of RMB950.6 million, primarily due to (i) net operating cash flow before working capital changes of RMB2,636.3 million, (ii) an increase in advances from pre-sales of properties of RMB2,180.9 million, in connection with projects mainly including Changzhou Future Land Golden County (常州新城金郡), Xincheng Future Town (常州新城域) and New Golden Town (南京新城金郡), and (iii) an increase in trade and other payables of RMB1,877.7 million as a result of increased property development activities. Cash generated from operating activities was offset by cash used for (i) an increase in properties held or under development for sale, excluding capitalised interest, of RMB6,008.9 million due to increased expenditures on land use rights costs, in connection with projects such as Petrus Hacienda (森蘭碧翠園), Exalted Uptown (尚上城), Changzhou Future Land Golden County (常州新城金郡) and Future Land Consequence (香悦半島), and construction costs, and (ii) payment of interest and PRC income tax and PRC land appreciation tax of RMB1,748.0 million.

In 2010, we had a net cash outflow from operating activities of RMB2,197.6 million, primarily due to (i) net operating cash flow before working capital changes of RMB1,520.7 million, (ii) an increase in advances from property pre-sales of RMB3,826.5 million, in connection with projects mainly including Park View International Community (上海新郡), Legend Mansion (上海新城公館) and YOHO City (悠活城), and (iii) an increase in trade and other payables of RMB1,892.5 million, as a result of growth in our property development. Cash generated from operating activities was offset by cash used for (i) an increase in prepayments for leasehold land of RMB1,247.7 million, (ii) an increase in properties held or under development for sale, excluding capitalised interest, of RMB7,274.2 million due to more expenditure on land use rights costs and construction costs, in connection with purchase of land use rights for projects mainly including Gorgeous Mansion (憶華里), Shanghai Future Land Manor (上海公館) and Up Town (尚東雅園), and (iii) payment of interest and PRC income tax and PRC land appreciation tax of RMB980.5 million.

In 2009, we had a net cash inflow from operating activities of RMB565.7 million, primarily due to (i) net operating cash flow before working capital changes of RMB1,126.2 million and (ii) an increase in advances from property pre-sales of RMB1,865.5 million, in connection with projects mainly including Future Land Glorious View Garden (新城盛景園), Suzhou Future Land Golden County (蘇州金郡) and Kunshan Future Land Territory (昆山新城域). Cash generated from operating activities was partially offset by cash used for (i) an increase in prepayments for leasehold land of RMB1,135.3 million and (ii) payment of interest and PRC income tax and PRC land appreciation tax of RMB582.1 million.

Please refer to the section headed "Risk Factors – We had negative net operating cash flow for the years ended December 31, 2010 and 2011. If we were unable to meet our payment obligations, our business, financial condition and results of operations may be materially adversely affected" for further information relating to the risks associated with our negative net operating cash flow.

Net cash used in or generated from investing activities

In the six months ended June 30, 2012, we had a net cash outflow from investing activities of RMB178.0 million, primarily due to the addition of investment properties of RMB185.1 million, partially offset by interest received from our bank balances of RMB18.9 million.

In 2011, we had a net cash outflow from investing activities of RMB916.5 million, primarily due to (i) the addition of investment properties of RMB748.3 million and (ii) investments in associated companies of RMB225.0 million in connection with our investment in Shanghai Wanzhicheng Real Estate Development Co., Ltd.

In 2010, we had a net cash outflow from investing activities of RMB380.0 million, primarily due to additions of investment properties of RMB223.3 million and an investment of RMB156.0 million for 30 million shares in Bank of Suzhou. Our investment in Bank of Suzhou is an one-off treasury investment to capture a sound and attractive investment opportunity. Investments in financial institutions do not form part of our principal business activities, and our directors have confirmed that we have no intention of making similar investments in the future.

In 2009, we had a net cash outflow from investing activities of RMB202.2 million, primarily due to the addition of investment properties of RMB221.0 million, offset by RMB14.9 million received in interest from our bank balances and RMB9.4 million in proceeds from the disposal of one of our subsidiary project companies.

Net cash generated from financing activities

In the six months ended June 30, 2012, we had net cash used in financing activities of RMB1,139.1 million, primarily due to repayment of borrowings of RMB3,158.7 million, offset by proceeds from new bank borrowings of RMB2,025.4 million.

In 2011, we had net cash generated from financing activities of RMB2,137.4 million, which consisted primarily of proceeds from new bank loans and trust financing arrangements of RMB6,830.4 million, offset by the repayment of borrowings of RMB4,423.0 million.

In 2010, we had net cash generated from financing activities of RMB4,364.2 million, which consisted primarily of proceeds from new bank loans and trust financing arrangements of RMB7,354.5 million, offset by the repayment of borrowings of RMB3,143.3 million.

In 2009, we had net cash generated from financing activities of RMB770.7 million, which consisted primarily of proceeds from new bank loans and trust financing arrangements of RMB3,840.9 million and RMB68.3 million of proceeds from a capital contribution from our controlling shareholders, offset by the repayment of borrowings of RMB2,952.6 million.

Working Capital

Taking into account the financial resources available to our Group, including the expected cash generated from our operations, the available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

Capital commitments

The table below sets out details relating to our capital commitments for properties under development and properties held for future development as of August 31, 2012. We closely monitor our actual development costs against our budgeted costs. Our Directors have confirmed that there was no material deviation between the actual and the budgeted development costs for all of our property development projects.

Project	Project Type	Development costs incurred(1)	Estimated future development costs(2)	Land Premium	
				Total	Outstanding
		(RMB million)	(RMB million)	(RMB million)	(RMB million)
Changzhou					
1. Golden Future Land (金色新城)	Residential	1,591.4	142.2	320.6	–
2. Future Land Southern Metropolis (新城南都)	Residential	2,006.0	108.8	290.6	–
3. Lakeview (湖畔春秋)	Residential	488.3	18.6	136.9	–
4. Park No. 1 (公園壹號)	Residential	1,930.8	155.5	338.0	–
5. Changzhou New City Residence (常州新城公館)	Residential	1,923.6	1,125.0	405.5	–
6. Future Land Long Island (新城長島)	Residential	1,083.7	1,161.3	287.4	–
7. Future Capital (新城首府)	Residential	1,955.8	198.5	349.0	–
8. Future Land Emporium (新城帝景)	Residential	542.3	2,983.3	280.8	–
9. Injoy International Plaza (吾悅國際廣場)	Mixed-use	2,140.9	360.1	39.5	–
10. Changzhou Future Land Golden County (常州新城金郡)	Residential	1,396.9	470.1	430.0	–

Project	Project Type	Development costs incurred(1)	Estimated future development costs(2)	Land Premium Total	Land Premium Outstanding
		(RMB million)	(RMB million)	(RMB million)	(RMB million)
11. Xincheng Future Town (常州新城域)	Residential	1,696.6	535.2	437.6	–
12. Injoy Plaza (吾悦廣場)	Mixed-use	2,790.9	1,270.3	668.0	–
13. Future Land Consequence (香悦半島)	Residential	1,753.0	792.9	836.0	–
14. Future France (香溢紫郡)	Residential	1,169.1	1,347.2	556.0	–
15. Injoy Lifestyle Plaza (吾悦生活廣場)	Mixed-use	268.6	55.0	31.1	–
16. Logistics Hub Land Parcel Project (儲運公司地塊項目)	Residential	428.8	418.7	290.0	–
17. Xitaihu Road East Project (西太湖大道東側項目)	Mixed-use	307.9	2,966.7	839.7	531.9
18. Hutang Project (湖塘項目)	Mixed-use	545.0	4,495.9	1,818.6	1,273.6
19. Fragrant Legend (香溢瀾橋)	Residential	1,199.0	1,620.0	1,024.3	140.9
20. New Airport Road Project (新機場路項目)	Mixed-use	30.4	347.2	29.5	–
21. Xingye Road North Land Parcel Project (興業路北地塊項目)	Mixed-use	67.1	604.9	160.0	96.0
22. Changxin Road Project (常新路項目)	N/A	N/A(3)	N/A(3)	160.0	–
Shanghai					
23. Park View International Community B (上海新城金郡B)	Residential	1,283.5	142.1	350.5	–
24. YOHO City (悠活城)	Residential	1,240.7	137.8	400.0	–
25. Park View International Community A (上海新城金郡A)	Residential	917.7	445.8	466.0	–

Project	Project Type	Development costs incurred[1]	Estimated future development costs[2]	Land Premium	
				Total	Outstanding
		(RMB million)	(RMB million)	(RMB million)	(RMB million)
26. Exalted Uptown (尚上城)	Residential	1,361.0	131.8	717.0	–
27. Gorgeous Mansion (憶華里)	Residential	1,898.7	713.2	1,201.9	–
28. Legend Mansion (上海新城公館)	Residential	1,480.3	149.3	953.6	–
29. Petrus Hacienda (森蘭碧翠園)	Residential	1,159.2	654.9	324.9	–
30. Golden Territory (金色領域)	Residential	1,534.9[4]	925.3[4]	1,119.2[4]	–
31. Hongde Road Project (洪德路項目)	Residential	628.5	321.3	610.0	–
32. Baiyin Road A11-4 Land Parcel Project (白銀路A11-4地塊項目)	Residential	311.2	257.5	264.0	–
Nanjing					
33. New Golden Town (南京新城金郡)	Residential	980.0	68.2	450.0	–
34. Nanjing Future France (南京香溢紫郡)	Residential	1,656.3	2,288.9	1,325.0	–
35. Hubei Road Project (湖北路項目)	Mixed-use	421.2	314.2	405.0	–
Kunshan					
36. Kunshan Future France (昆山香溢紫郡)	Residential	755.3	1,204.1	787.6	150.7
37. Kunshan Future Land Territory West Project (昆山新城域西側項目)	Mixed-use	88.7	949.2	385.6	308.5
Wuxi					
38. Up Town (尚東雅園)	Residential	1,931.5	990.4	1,000.0	–
39. East China Home Decor Centre (華東家藝中心)	Mixed-use	856.3	147.3	442.4	–
40. Jincheng East Road Project (金城東路項目)	Residential	440.5	1,004.1	539.0	100.0

Project	Project Type	Development costs incurred[(1)]	Estimated future development costs[(2)]	Land Premium Total	Land Premium Outstanding
		(RMB million)	(RMB million)	(RMB million)	(RMB million)
Suzhou					
41. Suzhou Future Land Golden County (蘇州新城金郡)	Residential	2,338.5	329.2	920.0	–
42. Suzhou Fengjin Road Project (蘇州楓津路項目)	Residential	216.0	1,235.4	720.0	504.0
43. Suzhou Sujie Project (蘇州蘇街項目)	Residential	229.5	1,277.1	765.0	535.5
Jintan					
44. Jintan Wanjiantang Project (金壇萬建塘項目)	Mixed-use	15.8	105.2	15.3	–
Changsha					
45. Future Land International Metropolis (新城國際花都)	Mixed-use	943.3	4,036.1	749.5	301.5
Wuhan					
46. In Spring Live (春天裡)	Residential	381.2	520.6	359.0	–
Total		**48,385.9**	**39,526.6**	**24,999.6**	**3,942.6**

(1) "Development costs incurred" include the total land premium incurred and paid for the respective projects.

(2) "Estimated future development costs" include the total land premium payable for the respective projects.

(3) The Changxin Road Project comprises an industrial complex with total GFA of 112,500 sq.m. which we are holding for future development upon obtaining the necessary approvals to re-zone the site for commercial use. Relevant application materials for re-zoning the aforesaid industrial complex had been submitted to the relevant governmental authorities.

(4) This project is developed by Shanghai Wanzhicheng, which is our associated company.

As of August 31, 2012:

Estimated total future development costs payable for the four months ending 31 December 2012	RMB4,984.0 million[(5)]
Estimated total future development costs payable in 2013	RMB11,902.7 million[(5)]
Estimated future development costs payable in 2014 or thereafter	RMB22,639.9 million[(5)]
Total land premium payable for the four months ending 31 December 2012 . .	RMB992.0 million
Total land premium payable in 2013 and thereafter	RMB2,950.6 million

(5) As of August 31, 2012, our total future development costs payable for the four months ending December 31, 2012, in 2013 and in 2014 or thereafter is estimated to be RMB4,864.4 million, RMB11,569.7 million and RMB22,167.2 million, respectively. The development costs for Golden Territory, which is developed by Shanghai Wanzhicheng, our associated company, are excluded.

In respect of the outstanding land premium for our properties under development and properties held for future development, our Directors expect to finance such capital commitment through cash generated from sales and pre-sales of our properties. In respect of construction and other development costs, our Directors expect to finance such capital commitments primarily through construction bank loans, cash generated from sales and pre-sales of our properties and, if necessary, trust financing arrangements.

Our negative net operating cash flow

We recorded negative net cash flow from operating activities of RMB2,197.6 million and RMB950.6 million for the years ended December 31, 2010 and 2011, respectively. Our negative net cash flow from operating activities was primarily attributable to the long-term and capital-intensive nature of property development, our land acquisitions and our continued business expansion during the Track Record Period.

Challenging market conditions and their impact on our liquidity

In addition to the availability of borrowings, our liquidity may be adversely affected by fluctuations in the contracted sales and/or ASP of our projects. For further information, please refer to the section headed "Risk Factors Risks Relating to Our Business – Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to changes in policies related to the PRC property industry and in regions in which we operate" in this prospectus.

Improving our cash flows and diversifying our financing channels

We have no intention to rely on trust financing arrangements as an important source of funding for our property developments after Listing. We intend to improve our working capital position and gearing ratio, and further diversify our sources of financing by:

- proactively executing our sales plan and generating sufficient operating cash flows from sales and pre-sales of our properties;
- leveraging our cost advantage from our increasing economies of scale;
- continuing to adopt prudent financial policies to maintain a strong liquidity position; and
- seeking longer term financing opportunities including syndicated loans, issue of corporate bonds, and equity and equity-linked financings.

We believe the above measures will enable us to further mitigate bank credit-related policy risks. Although our existing projects may generate positive net cash flow and we recorded positive net cash flow in the six months ended June 30, 2012, we may continue to record negative net operating cash flow in 2012 and thereafter. Taking into account the current market conditions, our project development, sales and pre-sales schedules, our flexible marketing and pricing strategies, the estimated net proceeds from our Global Offering and the above plans, our Directors expect our operating cash position to improve and our Group to have sufficient working capital to maintain our operations without using trust financing arrangements as an important source of funding after Listing.

In addition, our Directors have confirmed that we have sufficient working capital to meet our present requirements and foreseeable debt repayment obligations for the 12 months from the date of this prospectus.

CERTAIN BALANCE SHEET ITEMS

Trade and Other Receivables and Prepayments

Our trade and other receivables primarily consist of (i) prepaid taxes; (ii) receivables from related parties; (iii) trade receivables and (iv) prepaid construction costs. The following table sets forth our prepayments, trade and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Receivable from Changzhou Wujin Construction Bureau for sale of properties	9,454	–	–	–
Other trade receivables	8,506	6,221	7,085	3,988
Notes receivable	–	–	25,227	8,463
Trade receivables – subtotal	17,960	6,221	32,312	12,451
Less: Provision for impairment of receivables	(316)	–	–	–
Trade receivables – net	17,644	6,221	32,312	12,451
Receivables from related parties	680,463	213,710	390,367	303,367
Prepaid business tax and surcharges	370,393	576,675	704,862	898,436
Prepaid income tax and land appreciation tax	149,236	324,598	414,993	503,450
Tender deposits	155,000	200,000	–	–
Deposits with public housing fund centres	62,166	67,391	93,815	92,314
Prepayments for construction costs	74,345	98,987	87,428	45,578
Temporary funding receivables	39,500	–	–	–
Others	45,652	39,755	37,829	70,013
	1,594,399	1,527,337	1,761,606	1,925,609

Our temporary funding receivables are funds temporarily advanced to non-related parties, which are non-interest bearing and unsecured. Our temporary funding receivables were RMB39.5 million as of December 31, 2009, which we collected in 2010. We have not advanced any temporary funding to any party since then.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	6,832	427	31,302	11,441
Between 1 and 2 years	1,037	4,784	–	–
Between 2 and 3 years	9,775	–	–	–
Over 3 years	316	1,010	1,010	1,010
	17,960	6,221	32,312	12,451

In general, the credit term for our customers is within 30 days of the execution of the sales contract for properties that are pre-sold. Our notes receivables are normally due 45 days after the receipt of the notes. As of September 30, 2012, approximately 90.37% of our trade receivables as of June 30, 2012 were subsequently settled.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables; (ii) interest payables; (iii) payables to related parties; and (iv) business and other taxes payable.

Our trade and other payables significantly increased from RMB2,517.8 million as of December 31, 2009 to RMB4,303.1 million as of December 31, 2010 and further to RMB6,627.1 million as of December 31, 2011 and RMB7,642.7 million as of June 30, 2012, primarily due to the increase in trade payables.

Our temporary funding payables are payables to non-related parties which are non-interest bearing and unsecured. Our temporary funding payables were RMB28.0 million, RMB118.0 million, RMB18.0 million and RMB18.0 million as of December 31, 2009, 2010 and 2011 and June 30, 2102, respectively. Out of the balance of temporary funding payables as of December 31, 2009 and 2010, RMB10.0 million and RMB100.0 million were subsequently repaid in 2010 and 2011, respectively.

Our temporary funding receivables and payables were related to business transactions and short-term fundings provided to and received from independent third parties engaged in real estate or other related investment businesses. They formed part of the payment arrangements between our Group and the third-party suppliers or service providers we engage in the course of our property development operations. The borrowings between enterprises that are not financial institutions are prohibited under current PRC laws. However, as confirmed by our Company, such temporary funding transactions were terminated at the end of 2010, and such receivables and payables were subsequently settled, except for a temporary funding payables balance of RMB18.0 million as of June 30, 2012 which was related to normal course of our business operation. As such temporary funding transactions as mentioned above were terminated at the end of 2009, our PRC legal advisers have advised us that the risk of any future fine or penalty being imposed on us is low, and further confirmed that such temporary funding transactions will not have a substantial impact on our Group's business.

Our business and other taxes payables were RMB52.7 million, RMB189.7 million, RMB200.5 million and RMB95.0 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. Business and other tax payables include business tax and other tax payables such as property tax, stamp duty and individual withholding income tax payables.

Advances from Pre-sales of Properties

We start the sales of properties and collection of proceeds from customers before the properties are completed and ready for delivery. Such proceeds from customers are recorded as advances from pre-sales of properties before the relevant sales are recognised as revenue. Advances from pre-sales of properties are non-interest-bearing. As of December 31, 2009, 2010 and 2011 and June 30, 2012, advances from pre-sales of properties amounted to RMB6,767.6 million, RMB10,594.1 million, RMB12,775.0 million and RMB16,233.0 million, respectively.

Investment Properties

We retain a portion of the properties we develop for rental and/or investment. As of June 30, 2012, we had investment properties in two completed projects, namely, Four Seasons Future Land Commercial Complexes (四季新城商鋪) and Injoy Plaza (吾悦廣場), and one project under development, namely, Injoy International Plaza (吾悦國際廣場). Please refer to the section headed "Business – Investment Properties and Commercial Leasing" in this prospectus. The assessed fair value of our investment properties was RMB608.3 million, RMB1,342.9 million, RMB2,443.2 million and RMB2,666.2 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. The value of our investment properties increased during the Track Record Period, primarily due to an increase in our capital expenditure for projects under development and an increase in the fair value of these investment properties as a result of appreciation.

Properties Held or Under Development for Sale

We had properties held or under development for sale of RMB10,049.5 million, RMB17,497.4 million, RMB24,227.1 million and RMB27,286.8 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. Our properties held or under development for sale increased during the Track Record Period, primarily due to an increase in our land reserves and our property development activities during the same period. The amount of borrowing costs capitalised in connection with properties under development for sale and properties held for sale for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 was RMB145.9 million, RMB312.9 million, RMB788.2 million and RMB450.0 million, respectively.

Net Current Assets Position

As of December 31, 2009, 2010 and 2011 and June 30, 2012, our net current assets were approximately RMB4,679.9 million, RMB6,833.9 million, RMB8,507.9 million and RMB7,062.6 million, respectively. As of September 30, 2012, our net current assets were approximately RMB7,325.8 million.

The following table sets forth our assets and liabilities as of the balance sheet dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2009	2010	2011	2012	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Current assets					
Prepayments for leasehold land	1,687,140	2,934,797	2,689,155	3,042,049	3,536,778
Properties held or under development for sale	10,049,475	17,497,388	24,227,066	27,286,822	28,705,797
Trade and other receivables and prepayments	1,594,399	1,527,337	1,761,606	1,925,609	2,294,540
Restricted cash	171,148	118,123	314,536	526,504	839,570
Cash and cash equivalents	2,164,714	3,951,249	4,221,558	3,541,336	3,427,740
Total current assets	**15,666,876**	**26,028,894**	**33,213,921**	**36,322,320**	**38,804,425**
Current liabilities					
Trade and other payables	2,517,793	4,303,100	6,627,089	7,642,749	8,271,480
Advances from pre-sale of properties	6,767,622	10,594,095	12,775,020	16,233,002	18,079,312
Current income tax liabilities	368,840	751,166	1,085,703	716,407	673,575
Borrowings	1,317,000	3,508,067	4,217,363	4,666,765	4,453,495
Dividend payables	15,706	38,605	805	805	805
Total current liabilities	**10,986,961**	**19,195,033**	**24,705,980**	**29,259,728**	**31,478,667**
Net current assets	**4,679,915**	**6,833,861**	**8,507,941**	**7,062,592**	**7,325,758**

As of September 30, 2012, we had net current assets of RMB7,325.8 million, consisting of RMB38,804.4 million of current assets and RMB31,478.7 million of current liabilities, which represented an increase of approximately RMB263.2 million from our net current assets of RMB7,062.6 million as of June 30, 2012. The increase in net current assets was driven primarily by an increase of RMB1,419.0 million in properties held or under development for sale, an increase of RMB494.7 million in prepayments for leasehold land and an increase of RMB369.0 million in trade and other receivables and prepayments, which was partially offset by an increase of RMB1,846.3 million in advances from pre-sale of properties.

As of June 30, 2012, we had net current assets of RMB7,062.6 million, consisting of RMB36,322.3 million of current assets and RMB29,259.7 million of current liabilities, which represented a decrease of approximately RMB1,445.3 million from our net current assets of RMB8,507.9 million as of December 31, 2011. The decrease in net current assets was driven primarily by an increase of RMB1,015.7 million in trade and other payables, and an increase of RMB3,458.0 million in advances from pre-sale of properties, which was partially offset by an increase of RMB3,059.8 million in properties held or under development for sale.

As of December 31, 2011, we had net current assets of RMB8,507.9 million, consisting of RMB33,213.9 million of current assets and RMB24,706.0 million of current liabilities, which represented an increase of approximately RMB1,674.0 million from our net current assets of RMB6,833.9 million as of December 31, 2010. The increase in net current assets was driven primarily by an increase of RMB6,729.7 million in properties held or under development for sale, which was partially offset by an increase of RMB2,180.9 million in advances from pre-sale of properties, an increase of RMB2,324.0 million in trade and other payables, and an increase of RMB709.3 million in borrowings.

As of December 31, 2010, we had net current assets of RMB6,833.9 million, consisting of RMB26,028.9 million of current assets and RMB19,195.0 million of current liabilities, which represented an increase of approximately RMB2,154.0 million from our net current assets of RMB4,679.9 million as of December 31, 2009. The increase in net current assets was driven by an increase of RMB7,447.9 million in properties held or under development for sale, an increase in cash and cash equivalents of RMB1,786.5 million, and an increase of RMB1,247.7 million in prepayments for leasehold land. This was partially offset by an increase of RMB3,826.5 million in advances from the pre-sales of our properties, an increase in current portion of borrowings of RMB2,191.1 million, and an increase in trade and other payables of RMB1,785.3 million.

As of December 31, 2009, we had net current assets of RMB4,679.9 million, consisting of RMB15,666.9 million of current assets and RMB10,987.0 million of current liabilities.

CONTRACTUAL OBLIGATIONS

The following table sets forth our property development expenditures as of the dates indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Property development expenditure contracted but not provided for	5,229,971	5,754,574	6,962,029	6,282,476

Of the RMB6,282.5 million of our contracted property development expenditure as of June 30, 2012, RMB786.1 million will be payable in 2012, RMB610.1 million will be payable in 2013 and the remaining RMB4,886.3 million will be payable in 2014 or thereafter.

The following table sets forth our operating lease commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 1 year......................	9,108	10,188	9,889	13,549
1 to 5 years......................	33,043	25,015	13,663	15,501
	42,151	35,203	23,552	29,050

Note: The figures above exclude projects under planning and have not commenced.

We intend to fund our capital and lease commitments principally from bank financings and proceeds from sales and pre-sales of our developed properties.

INDEBTEDNESS

Bank and Other Borrowings

The following table sets forth our outstanding borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2009	2010	2011	2012	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Current Loans					
Bank borrowings	417,500	470,000	384,000	245,000	384,060
Trust financing arrangements					
– conventional loan	–	1,005,960	319,300	289,875	219,875
– equity with repurchase obligation	–	–	430,000	430,000	430,000
Current portion of long-term borrowings	899,500	2,032,107	3,084,063	3,701,890	3,419,560
Total current borrowings	**1,317,000**	**3,508,067**	**4,217,363**	**4,666,765**	**4,453,495**
Non-current Loans					
Bank borrowings	2,709,920	4,075,250	6,128,900	6,156,190	6,527,360
Trust financing arrangements					
– conventional loan	488,613	775,000	2,137,200	1,912,200	1,912,200
– equity with repurchase obligation	631,875	2,132,925	1,467,163	700,000	300,000
	3,830,408	6,983,175	9,733,263	8,768,390	8,739,560
Less: Current portion of long-term borrowings	(899,500)	(2,032,107)	(3,084,063)	(3,701,890)	(3,419,560)
Total non-current borrowings	**2,930,908**	**4,951,068**	**6,649,200**	**5,066,500**	**5,320,000**
Total current and non-current borrowings	**4,247,908**	**8,459,135**	**10,866,563**	**9,733,265**	**9,773,495**

Throughout the Track Record Period, we maintained our market-leading position in property development in Jiangsu Province and Yangtze River Delta and managed to fund our development costs (including land premium) with internal resources, bank borrowings and trust financing arrangements. We managed through the global financial crisis in 2008 and a tightened credit environment in 2010 and 2011 without seeking any equity or structured financing.

Our outstanding current and non-current borrowings from bank and trust financing arrangements amounted to RMB4,247.9 million, RMB8,459.1 million and RMB10,866.6 million as of December 31, 2009, 2010 and 2011, respectively. Our current and non-current borrowings from bank and trust financing arrangements increased steadily during the three years ended December 31, 2011, primarily due to an increase in construction activities during such period and a shift in our product mix to an increasing proportion of higher end products, which were more capital-intensive. Our current and non-current borrowings from banks and trust financing arrangements decreased to RMB9,733.3 million as of June 30, 2012, as we paid off some of our trust financings and did not enter into new trust financing arrangements in the six months ended June 30, 2012.

As of September 30, 2012, we had current and non-current borrowings from trust financing arrangements of approximately RMB2,862.1 million and from bank borrowings of RMB6,911.4 million. As of September 30, 2012, we had unutilized banking facilities of approximately RMB6,197.0 million. Under the circumstances that we have obtained all necessary permits and licences for development of our relevant projects as required by the banks in accordance with relevant PRC laws and regulations and that the funding will be specifically used for the relevant project for which we have applied for the funding, generally the use of the unutilized banking facilities will not be restricted. This condition is customary for the banks to provide banking facilities to property developers in China. As of September 30, 2012, we had three type (ii) arrangements involving an amount of RMB730.0 million. We are not currently in the process of arranging any additional trust financing.

The following table sets forth the maturity profile of our non-current borrowings as of the dates indicated:

	As at December 31,			As at June 30,	As of September 30,
	2009	2010	2011	2012	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Between 1 and 2 years....	2,010,908	3,075,068	3,671,200	2,669,000	2,222,000
Between 2 and 5 years....	920,000	1,876,000	2,978,000	2,397,500	3,098,000
	2,930,908	4,951,068	6,649,200	5,066,500	5,320,000

All of our bank borrowings are secured by one or a combination of the following methods: land to be developed, properties under development, properties held for sale, investment properties, land use rights, shares of our subsidiaries, bank deposits, guarantees by our subsidiaries and/or guarantees by Chairman Wang. Our bank borrowings are from major commercial banks, which are independent third parties.

Our trust financings have committed yield rates and trust periods. The borrowings were raised via issuance of trust units. These borrowings are secured by certain properties and shares of our subsidiaries and/or guaranteed by Chairman Wang. Our trust financing arrangements are made with major trust financing companies, which are independent third parties. For details of such trust financing companies and trust financings, please refer to the section headed "Business – Alternative Financing Provided by Trust Financing Companies" in this prospectus.

The weighted average effective interest rate on our bank borrowings was 5.72%, 5.39%, 6.69%, 6.80% and 6.70%, respectively, and the weighted average cost of borrowing of our trust financing arrangements was 13.48%, 13.19%, 13.28%, 13.10% and 13.21%, respectively, as of December 31, 2009, 2010 and 2011, June 30, 2012 and September 30, 2012. Our Directors have confirmed that the increase in the average effective interest rate on our bank borrowings in 2011 was driven by the increases in the PBOC benchmark rates and the tightened credit policies imposed by banks towards PRC property developers in 2011. For further information, please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our financing costs are subject to changes in interest rates" in this prospectus. According to comparable listed PRC property developers' published 2011 annual results, we believe that as of December 31, 2011, the interest rates on our bank borrowings and the costs of borrowing of our trust financing arrangements were within the range of market rates.

For our trust financing arrangements, trust financing companies do not usually link their interest rates to the PBOC benchmark interest rates and typically charge rates ranging from 3% to 7% higher than those charged by commercial banks. Notwithstanding its higher cost of borrowing, we chose to obtain trust loans as an alternative source of funding for some of our projects during the Track Record Period to leverage on their flexible terms and security structures and favourable timing of funding and repayment as compared to those offered by commercial bank loans, particularly in the tightened credit environment during 2010 and 2011. For further information, please refer to the section headed "Business – Alternative Financing Provided by Trust Financing Companies – Costs and Benefits of Trust Financing Arrangements" in this prospectus.

As a result of these borrowings, our operations are subject to a wide range of customary restrictive covenants under our bank borrowing and trust financing arrangements. For further information, please refer to the sections headed "Risk Factors – Risks Relating to Our Business – We are subject to risks associated with certain covenants or restrictions under our bank borrowings or trust financing arrangements which may adversely affect our business, financial condition and results of operations" in this prospectus.

Our Directors have confirmed that during the Track Record Period and as of the Latest Practicable Date:

- there was no default in payment or material breach of other covenants under our loan agreements or other payables and credit facilities;
- we were not subject to any loan recall or early repayment request by our lenders; and
- we did not encounter any difficulty in obtaining external borrowings necessary for our operations.

Financial Guarantees and Contingent Liabilities

We make arrangements with various PRC banks to provide mortgage facilities to purchasers of our pre-sold properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages provided to such customers. Guarantees for mortgages on pre-sold residential properties are generally discharged at the earlier of: (i) the property ownership certificates are submitted to the mortgagee banks, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers. If a purchaser defaults on the mortgage loan, we are typically required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our outstanding guarantees for mortgage loans of the purchasers of our pre-sold properties were approximately RMB2,620.9 million, RMB3,917.0 million, RMB3,970.8 million and RMB5,802.4 million, respectively. During the Track Record Period, we encountered 21 incidents of default by purchasers, which involved an aggregated default payment of RMB7.7 million. As a result of such defaults, we suffered a net loss of RMB0.2 million. Our general policy is that for purchasers utilizing mortgage loans, if purchasers default on subsequent payments after the down payment, we reserve our rights to seize the full amount of the down payment, unless we are able to resell the property at a price not less than the original amount we sold to such defaulting customers, and that the resale proceeds are sufficient to cover our enforcement costs. Financial guarantees are contingent liabilities not recorded in our financial statements. Please refer to Section II, Note 36 to the "Accountant's Report" included as Appendix I to this prospectus for additional information.

The following table sets forth our financial guarantees as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2009	**2010**	**2011**	**2012**	**2012**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**	**(RMB'000) (unaudited)**
Guarantees in respect of mortgage facilities for certain purchasers of our properties.	2,620,902	3,917,049	3,970,751	5,802,446	6,738,971

In November 2011, we pre-sold 100 apartments of our Legend Mansion project in Shanghai at a total amount of approximately RMB330 million with price adjustment features. Selling prices of these apartments are subject to adjustment upon delivery based on the average selling price of our Legend Mansion project three months preceding the delivery date. As of December 31, 2011 and June 30, 2012, no such adjustment is expected, considering the market condition and the current actual sales price of the project.

On May 16, 2012, we acquired a piece of land from Shanghai Jiading Xincheng Development Co., Ltd. in connection with our acquisition of 100% of the equity interest in Shanghai Fuming. On the acquisition date, this land was in an idle status. According to the land use rights contract signed with Shanghai Jiading Xincheng Development Co., Ltd., this land is subject to an idle land penalty of RMB54,388,000 if construction has not commenced before July 5, 2011. Construction over such land parcels had not commenced when we acquired Shanghai Fuming. We believe that it is unlikely that we will be required to make any such penalty payment. We signed an agreement with Shanghai Jiading Xincheng Development Co., Ltd., which stipulated that Shanghai Jiading Xincheng Development Co., Ltd. will bear any such penalty if it is imposed. For further information, please refer to the section headed "Business – Compliance with idle land related regulations" in this prospectus.

Expect as disclosed in "Financial Information – Indebtedness" above, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as of September 30, 2012. Save as disclosed above, there has been no material change in our indebtedness and contingent liabilities since September 30, 2012.

KEY FINANCIAL RATIOS

The following table sets out our current ratios, debt-to-equity ratios and return on equity as of the dates or for the periods indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
Current ratio	1.4	1.4	1.3	1.2
Net debt-to-equity ratio	74.9%	120.1%	127.7%	111.7%

	For the period ended December 31,		
	2009	2010	2011
Return on equity(1)	32.6%	27.6%	29.9%

(1) Return on equity = $\dfrac{\text{Net profit attributable to Shareholders – fair value gain on investment properties*}}{\text{Average of (Shareholders' equity – fair value gain on investment properties*) for the current and prior period}} \times 100\%$

* The amount of fair value gain on investment properties represents the pro rata portion attributable to shareholders using net profit attributable to shareholders as a percentage of total net profit for the period.

Our current assets divided by current liabilities, or current ratio, remained relatively steady during the Track Record Period.

Net debt-to-equity ratio equals net debt divided by total equity as at the end of the period and multiplying by 100%. Net debt is calculated as total borrowings less cash and cash equivalents. Our total debt-to-asset ratio was 25.3%, 30.1%, 29.4% and 24.2%, and our net debt-to-equity ratio was 74.9%, 120.1%, 127.7% and 111.7%, as of December 31, 2009 and 2010 and 2011 and June 30, 2012, respectively. Our net debt-to-equity ratio increased from 74.9% as of December 31, 2009 to 120.1% as of December 31, 2010, primarily due to an increase in our total borrowings from 2009 to 2010, attributable to the drawdown of additional borrowings to finance the acquisition of land bank and project construction. Our net debt-to-equity ratio increased from 120.1% as of December 31, 2010 to 127.7% as of December 31, 2011, primarily due to an increase in our total borrowings during this period, attributable to the drawdown of additional borrowings to finance the acquisition of land bank and project construction. As of December 31, 2011, according to the 2011 annual results published on the Stock Exchange, our debt-to-asset ratios were in line with those published by comparable listed PRC property developers. Our net debt-to-equity ratios were, however, notably higher than those published by most of these developers, which commonly have larger equity bases and access to global private and public equity capital markets in light of their status as listed companies. Our net debt-to-equity ratio decreased from 127.7% as of December 31, 2011 to 111.7% as of June 30, 2012, primarily due to a decrease in our total borrowing during this period, attributable to the fact that we proactively made early repayment of trust financing arrangements to reduce finance costs while our bank borrowings remained relatively stable.

Our return on equity for the years ended December 31, 2009, 2010 and 2011 was 32.6%, 27.6% and 29.9%, respectively. Our return on equity decreased from 32.6% in 2009 to 27.6% in 2010, primarily due to an increase in the capital and reserves attributable to the equity holders of our Company from 2009 to 2010. Our return on equity increased from 27.6% in 2010 to 29.9% in 2011, primarily due to an increase in our net profit attributable to the equity holders of our Company from 2010 to 2011.

LISTING EXPENSES

We have incurred listing expenses of RMB36.3 million, which has been charged to our Group's administrative expenses during the Track Record Period. We expect to incur further expenses amounting to RMB27.0 million, which will be charged to our Group's administrative expenses in the second half of 2012. Our Directors do not expect such expenses to have a material adverse impact to our financial results for the year ending December 31, 2012.

RECENT DEVELOPMENTS

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2012. During the period from July 1, 2012 to August 31, 2012, our cash receipts from property sales were RMB2,974 million. During the period from July 1, 2012 to August 31, 2012, our contracted sales were RMB2,788 million, representing an increase of 92.1% compared with RMB1,451 million in the same period of 2011, and our contracted GFA was 297,555 sq.m., representing an increase of 149.3% compared with 119,340 sq.m. in the same period of 2011. During the period from July 1, 2012 to August 31, 2012, our contracted average selling price was RMB9,368 per sq.m., representing a 3.0% increase compared with RMB9,099 per sq.m. for the six months ended June 30, 2012. The increase in our contracted sales and contracted GFA during this period was driven by the improved conditions in the PRC property market and the increased number of project phases pre-sold in July and August 2012, as compared to the same period in 2011.

Our gross profit margin in July and August of 2012 was lower than that in the first six months of 2012, primarily due to the mix of properties delivered in July and August of 2012. Certain projects delivered during this period had lower gross margins, as those properties were pre-sold in the second half of 2011 when the PRC property market experienced downward pricing pressures. Meanwhile, the total amount of revenue recorded in July and August of 2012 was relatively small and may only constitute a small portion of our estimated revenue for the year ending December 31, 2012. As our gross profit margin may vary depending on profit margins of individual projects and our results of operation may fluctuate significantly from period to period, any interim results may therefore not be indicative of our performance for the financial year or future periods.

UNAUDITED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012 OF JIANGSU FUTURE LAND

Selected Results of Operations

The following is a summary of selected unaudited income statement items of Jiangsu Future Land for the nine months ended September 30, 2011 and 2012, which are extracted from and have been prepared in accordance with the basis set forth in the unaudited interim financial information for Jiangsu Future Land, the text of which is set forth in Appendix IA to this prospectus. Results for the nine months ended September 30, 2012 may not be indicative of the full year results of Jiangsu Future Land for the year ending December 31, 2012 or any future periods.

	For the nine months ended September 30,	
	2011	**2012**
	RMB'000 (unaudited)	**RMB'000 (unaudited)**
Revenue	3,148,738	6,147,268
Cost of sales	(2,267,426)	(4,693,372)
Gross profit	881,312	1,453,896
Selling and marketing costs	(204,142)	(225,700)
Administrative expenses	(228,383)	(244,310)
Other income	5,749	1,098
Other expenses	(4,690)	(3,245)
Other gains – net	55,594	11,674
Operating profit	505,440	993,413
Finance income	8,493	26,751
Finance costs	(55,994)	(39,431)
Finance costs – net	(47,501)	(12,680)
Share of results of an associated company	–	(3,393)
Profit before income tax	457,939	977,340
Income tax expense	(207,688)	(376,557)
Profit for the period	250,251	600,783

The nine months ended September 30, 2012 compared to the nine months ended September 30, 2011

Revenue

Revenue generated by Jiangsu Future Land increased by RMB2,998.5 million, or 95.2%, from RMB3,148.7 million in the nine months ended September 30, 2011 to RMB6,147.3 million in the nine months ended September 30, 2012. This increase was primarily driven by the increase in revenue from property sales from RMB3,091.6 million in the nine months ended September 30, 2011 to RMB6,052.6 million in the nine months ended September 30, 2012. The total GFA delivered increased by 172,853 sq.m., or 33.9%, from 509,976 sq.m. in the nine months ended September 30, 2011 to 682,829 sq.m. in the nine months ended September 30, 2012. The ASP increased by RMB2,802 per sq.m., or 46.2%, from RMB6,062 per sq.m. in the nine months ended September 30, 2011 to RMB8,864 per sq.m. in the nine months ended September 30, 2012. The increase in ASP in the nine months ended September 30, 2012 was primarily due to a higher percentage of property sales of high-end properties, which had higher selling prices.

Cost of Sales

Cost of sales of Jiangsu Future Land increased by RMB2,425.9 million, or 107.0%, from RMB2,267.4 million in the nine months ended September 30, 2011 to RMB4,693.4 million in the nine months ended September 30, 2012. This increase was primarily due to (i) the 33.9% increase in GFA delivered, and (ii) the 59.1% increase in average cost per sq.m. sold from RMB3,927.0 per sq.m. in the nine months ended September 30, 2011 to RMB6,248.4 per sq.m. in the nine months ended September 30, 2012. The increase in average cost per sq.m. sold in the nine months ended September 30, 2012 was primarily due to the higher costs associated with the mix of properties delivered during the period, including a higher percentage of high-end fitted out properties which involved higher costs.

Gross Profit

As a result of the foregoing, the gross profit of Jiangsu Future Land increased by RMB572.6 million, or 65.0%, from RMB881.3 million in the nine months ended September 30, 2011 to RMB1,453.9 million in the nine months ended September 30, 2012. Overall gross profit margin decreased from 28.0% in the nine months ended September 30, 2011 to 23.7% in the nine months ended September 30, 2012. This decrease in gross profit margin was primarily because the properties delivered in the nine months ended September 30, 2012 in general had a lower profit margin, which was the result of an increase in average cost per sq.m. sold that outpaced an increase in ASP during the same period.

Finance Costs – Net

Net finance costs of Jiangsu Future Land decreased by RMB34.8 million, or 73.3%, from RMB47.5 million in the nine months ended September 30, 2011 to RMB12.7 million in the nine months ended September 30, 2012. This decrease was primarily due to an increase in the amount of finance costs capitalised and an increase in interest income on bank deposits, partially offset by an increase in interest on bank loans and trust financing arrangements.

Income Tax Expense

The income tax expense of Jiangsu Future Land increased by RMB168.9 million, or 81.3%, from RMB207.7 million in the nine months ended September 30, 2011 to RMB376.6 million in the nine months ended September 30, 2012. The increase was primarily due to the increase in profit before income tax from RMB458.0 million in the nine months ended September 30, 2011 to RMB977.3 million in the nine months ended September 30, 2012. The effective corporate income tax rate(1) of Jiangsu Future Land was 27.2% and 26.0% in the nine months ended September 30, 2011 and September 30, 2012, respectively.

Profit for the Period

As a result of the foregoing, profit generated by Jiangsu Future Land increased by RMB350.5 million, or 140.1%, from RMB250.3 million in the nine months ended September 30, 2011 to RMB600.8 million in the nine months ended September 30, 2012. The net profit margin of Jiangsu Future Land increased from 7.9% in the nine months ended September 30, 2011 to 9.7% in the nine months ended September 30, 2012, primarily due to the 95.2% increase in revenues during the same period.

(1) Effective corporate income tax rate is calculated as:

$$\text{Effective corporate income tax rate} = \frac{\text{PRC corporate income tax + Deferred income tax}}{\text{Profit before income tax - PRC land appreciation tax}} \times 100\%$$

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks, including credit risk, interest rate risk, and liquidity risk.

Credit Risk

We have no significant concentrations of credit risk. The carrying amounts of bank deposits, and trade and other receivables included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have policies in place to ensure that sales of properties are made to buyers with appropriate financial strength and with the appropriate percentage of down payment. In addition, we reserve the right to cancel the sales contract in the event that the buyers default in payment and put the underlying properties back to the market for re-sale. The credit risk from sales of properties is therefore limited. Other receivables mainly comprise receivables from related parties and deposits made in the ordinary course of business. We closely monitor these other receivables to ensure actions taken to recover these balances in the case of any risk of default.

Interest Rate Risk

Our interest rate risk relates primarily to our fixed-rate borrowings and variable-rate borrowings. Borrowings at fixed-rates expose us to fair value interest rate risk and borrowings at variable rates expose us to cash flow interest rate risk. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings. It is our policy to maintain an appropriate level between our fixed-rate and variable rate borrowings so as to balance the fair value and cash flow interest rate risk.

In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations.

We currently do not use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Liquidity Risk

The capital-intensive nature of our business exposes us to liquidity risk. We are exposed to liquidity risk if we are unable to raise sufficient funds to meet our capital commitments. To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents considered adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. In doing so, our management monitors capital on the basis of the gearing ratio to ensure adequate undrawn banking facilities and monitors the utilization of borrowings to ensure compliance with loan covenants.

OFF-BALANCE SHEET ARRANGEMENTS

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

DIVIDEND POLICY

Subject to the Companies Law, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve of our Company lawfully available for distribution including share premium.

Except insofar as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid.

Our Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to us on account of calls or otherwise. In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our Shareholders; and
- any other factors which the Board may deem relevant.

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from HKFRSs. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

Our Directors will declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our Shareholders' approval.

We did not pay any dividends during the three years ended December 31, 2011. Considering our financial position, we currently intend, subject to the limitations described above and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our Shareholders no less than 30% of any net distributable profit from our PRC operating entities derived during the year, excluding net fair value gains or losses on investment properties, for the fiscal year ending December 31, 2012 and each fiscal year thereafter. However, we will re-evaluate our dividend policy annually.

DISTRIBUTABLE RESERVES

As of June 30, 2012, our distributable reserves were RMB405.5 million.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Listing as if the Listing had taken place on June 30, 2012.

It is based on our net tangible assets as of June 30, 2012 contained in the "Accountant's Report" in Appendix I to this prospectus and adjusted as described below:

	Audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at June 30, 2012(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company as at June 30, 2012(3)	Unaudited pro forma adjusted net tangible assets per Share(4)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$1.45 per Share.........	3,348,233	1,577,518	4,925,751	0.87	1.07
Based on an Offer Price of HK$1.79 per Share.........	3,348,233	1,953,756	5,301,989	0.94	1.15

Notes:

(1) Our consolidated net tangible assets of our Group attributable to our equity holders as of June 30, 2012 is extracted from the "Accountant's Report" of our Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to our equity holders as of June 30, 2012 of RMB3,355,140,000 with an adjustment for the intangible assets as of June 30, 2012 of RMB6,907,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.45 and HK$1.79 per Share, respectively, after deduction of the underwriting fees and other estimated related fees and expenses and do not take into account any Shares which may be issued pursuant to the Over-allotment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or of any Shares which may be granted and issued or repurchased by our Company pursuant to the general mandate and the Repurchase Mandate. For illustrative purpose, the estimated net proceeds are translated from Hong Kong dollars into Renminbi at the exchange rate of HK$1.00 to RMB0.8129.

(3) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 5,668,000,000 Shares were in issue immediately following the completion of the Global Offering but takes no account of any Shares which may be issued pursuant to the Over-allotment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or of any Shares which may be granted and issued or repurchased by our Company pursuant to the general mandate and the Repurchase Mandate. For illustrative purpose, the unaudited pro forma adjusted net tangible assets per Share is translated from Renminbi into Hong Kong dollars at the exchange rate of HK$1.00 to RMB0.8129.

(4) As of August 31, 2012, our properties under development and completed properties held for sale were valued by DTZ Debenham Tie Leung Limited, an independent valuer. The net revaluation surplus, representing the excess of market value of these property interests over their book value, has not been included in our consolidated financial information as of June 30, 2012 because our properties under development and completed properties held for sale are stated at the lower of cost and net realisable value for accounting purpose. The above adjustments do not take into account such revaluation surplus.

(5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2012.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2012, and there is no event since June 30, 2012 which would materially affect the information shown in the "Accountant's Report", the text of which is set out in Appendix I to this prospectus.

PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued our property interests as at August 31, 2012 and is of the opinion that the value of our property interests as at such date was an aggregate amount of RMB44,587 million (the value attributable to our Group was RMB26,850 million). The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

The statement below shows the reconciliation of aggregate amounts of certain properties as reflected in the audited consolidated financial information as of June 30, 2012 as set out in Appendix I to this prospectus with the valuation of these properties as of August 31, 2012 as set out in Appendix III to this prospectus.

	(RMB million)
Net book value of the following properties as of June 30, 2012	
– Buildings for office use included in property, plant and equipments	54
– Land use rights	367
– Investment properties	2,666
– Properties held or under development for sale	27,287
	30,374
Add: Additions of investment properties during the period from June 30, 2012 to August 31, 2012	48
Add: Fair value gains of investment properties during the period from June 30, 2012 to August 31, 2012	3
Add: Additions of properties held or under development for sale during the period from June 30, 2012 to August 31, 2012	2,449
Less: Transfer of properties held or under development for sale to cost of sales during the period from June 30, 2012 to August 31, 2012	(1,279)
Net book value as of August 31, 2012	31,595
Net valuation surplus	12,992
Valuation of properties owned by our Group as at August 31, 2012 as set out in the property valuation report in Appendix III to this prospectus	**44,587**