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建業地產股份有限公司 *
Central China Real Estate Limited
(於開曼群島註冊成立的有限公司)

(股份代號：0832)

海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)第13.10B條的規定刊發。

茲提述建業地產股份有限公司*(「本公司」)於二零一三年一月二十一日及二零一三年一月二十二日刊發關於票據發行的公告(「該等公告」)。除另行界定外，本公告所採用的詞彙均具有該等公告所界定的相同涵義。

請參閱隨附關於票據的發售備忘錄(「發售備忘錄」)，該發售備忘錄已於二零一三年一月二十九日於新加坡證券交易所有限公司的網站發佈。

* *僅供識別*

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承董事會命
建業地產股份有限公司*
主席
胡葆森

香港，二零一三年一月二十九日

於本公告日期，董事會由九名董事組成，包括執行董事胡葆森先生及閆穎春女士；非執行董事林明彥先生(替代董事：羅臻毓先生)、廖茸桐先生、胡勇敏先生及李樺女士；及獨立非執行董事張石麟先生、王石先生及辛羅林先生。

IMPORTANT NOTICE

(NOT FOR DISTRIBUTION IN THE UNITED STATES)

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OFFERING MEMORANDUM **Strictly Confidential**

US$200,000,000

建業地產
Central China Real Estate

Central China Real Estate Limited

(incorporated in the Cayman Islands with limited liability)

8.0% Senior Notes due 2020

Issue Price: 100% plus, in each case, accrued interest, if any, from the issue date

Our 8.0% Senior Notes due 2020 (the "Notes") will bear interest from January 28, 2013 at 8.0% per annum payable semi-annually in arrears on January 28 and July 28 of each year, beginning July 28, 2013. The Notes will mature on January 28, 2020.

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

We may at our option redeem the Notes, in whole or in part, at any time and from time to time on or after January 28, 2017, at redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to January 28, 2017, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 108% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to January 28, 2017, at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

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

For a more detailed description of the Notes, see the section entitled "Description of the Notes" beginning on page 166.

Investing in the Notes involves risks. See the section entitled "Risk Factors" beginning on page 12.

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

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Notes may not be offered, sold, pledged or otherwise transferred in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold by the Initial Purchasers (as defined herein) only outside the United States in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions."

The Notes will be evidenced by a global note (the "Global Note") in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"). Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out herein, individual certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificate. It is expected that delivery of the Global Note will be made on January 28, 2013 or such later date as may be agreed by the Company and the Joint Bookrunners (as defined in "Plan of Distribution").

Joint Bookrunners and Joint Lead Managers

HSBC **J.P. Morgan** **Morgan Stanley** **UBS**

The date of this offering memorandum is January 21, 2013.

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NOTICE TO INVESTORS

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

This offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). This offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

IN CONNECTION WITH THIS OFFERING, MORGAN STANLEY & CO. INTERNATIONAL PLC, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY OVER-ALLOT NOTES OR EFFECT PURCHASES AND SALES OF THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE ALLOTMENT OF THE NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF MORGAN STANLEY & CO. INTERNATIONAL PLC, AS STABILIZING MANAGER (OR ANY PERSON ACTING FOR IT) AND NOT FOR US OR ON OUR BEHALF.

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

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

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

No representation or warranty, express or implied, is made by The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc or UBS AG, Hong Kong Branch (collectively, the "Initial Purchasers") or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers, to the fullest extent permitted by law, assume no responsibility for the accuracy or completeness of any such information or for any statement made or purported to be made by the Initial Purchasers or on our behalf in connection with the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in contract or tort or otherwise which they might otherwise have in respect of this offering memorandum or any such statement.

Each person receiving this offering memorandum acknowledges to us and the Initial Purchasers that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our Company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

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

We prepare and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.3530 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2012, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.7572 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2012. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled "Exchange Rate Information."

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

Unless the context otherwise requires, references to "2009," "2010" and "2011" in this offering memorandum are to our financial years ended December 31, 2009, 2010 and 2011, respectively. References to "Share" are, unless the context indicates otherwise, to an ordinary share, with a nominal value of HK$0.10, in our share capital.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and gross floor area ("GFA") information presented in this offering memorandum represent the site area and GFA of the entire project, including those attributable to the other shareholders or joint venture partners of our non-wholly owned project companies. We have excluded parking spaces in our calculation of GFA for our projects, unless otherwise noted. References to "sq.m." are to the measurement unit of square meters.

References to "Hong Kong Stock Exchange" in this offering memorandum are to The Stock Exchange of Hong Kong Limited.

References to "Listing Rules" in this offering memorandum are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended.

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

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

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

Term	Definitions
"2009 Convertible Bonds with Warrants"	the convertible bonds with a principal amount of HK$765,000,000 due 2014 and 76,097,561 warrants issued by our Company on August 31, 2009, with the outstanding principal amount of the convertible bonds reduced to HK$687,000,000 and the number of warrants reduced to 68,338,594 upon completion of a partial redemption of the convertible bonds from, and surrender of the warrants by, one of the holders of the 2009 Convertible Bonds with Warrants
"2010 Notes"	the 12.25% senior notes with an aggregate principal amount of US$300,000,000 due 2015 issued by our Company on October 20, 2010
"2011 Rights Issue"	the rights issue of 428,000,000 shares of HK$0.10 each in the proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK$1.71 per rights share by our Company on June 28, 2011
"2012 ISDA Master Agreement".	means the ISDA Master Agreement (2002) dated as of August 8, 2012, together with a confirmation dated as of May 28, 2012, entered into between the Company and Nomura
"2012 Notes"	the 10.75% senior notes with an aggregate principal amount of S$175,000,000 due 2016 issued by our Company on April 18, 2012
"Bridge Trust"	Bridge Trust Co., Ltd.
"CapitaLand"	CapitaLand Limited
"CapitaLand China"	CapitaLand China Holdings Pte Ltd.
"CapitaLand Cayman".	CapitaLand LF (Cayman) Holdings Co., Ltd.
"CBRC"	China Banking Regulatory Commission
"CCRE China"	Central China Real Estate Group (China) Company Limited (建業住宅集團(中國)有限公司)
"certificate of completion"	construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection

Term	Definitions
"construction land planning permit"	the construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China
"construction permit"	construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
"construction works planning permit"	the construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China
"Henan"	Henan Province, PRC
"land grant contract"	the state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus
"land use rights certificate"	the state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights
"Nomura"	Nomura International plc
"pre-sale permit"	commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties
"property ownership certificate"	the property ownership certificate (房屋所有權證) issued by a local real estate and land resources bureau with respect to the ownership rights of the buildings on the relevant land

CHANGE IN ACCOUNTING POLICY

During the year ended December 31, 2010, we adopted a new interpretation in relation to the classification of term loans that contain a repayment on demand clause, details of which are described in note 3 to our audited consolidated financial statements for 2010 included elsewhere in this offering memorandum.

In November 2010, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued HK (Int) 5, which was effective immediately on issuance and set forth the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of Hong Kong Accounting Standard ("HKAS") 1, Presentation of financial statements, irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK (Int) 5, our term loans that contain a repayment on demand clause were classified as current liabilities in the statement of financial position. Prior to this change, such term loans were classified in accordance with the agreed repayment schedule unless we had breached any of the loan covenants in the loan agreement as of the end of the reporting period or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

We applied this change in accounting policy retrospectively by re-presenting the opening balances as of January 1, 2009 and 2010, with consequential reclassification adjustments to comparatives for the year ended December 31, 2009. This reclassification has no effect on reported profit or loss, total income and expense or net assets for any period presented. Unless otherwise stated, references to our consolidated financial information as of and for the year ended December 31, 2009 in this offering memorandum refer to such restated financial information.

FORWARD-LOOKING STATEMENTS

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

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the region where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of, and demand for, our property development projects;
- ability to obtain in a timely manner the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- relationship with our joint venture partners;
- catastrophic losses from fires, floods, windstorms, earthquakes, or other adverse weather conditions, diseases or natural disasters;
- changes in currency exchange rates; and
- other factors beyond our control.

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

ENFORCEMENT OF CIVIL LIABILITIES

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

All of our assets and all of the assets of the Subsidiary Guarantors are, and all or some of the assets of the JV Subsidiary Guarantors (if any) may be, located outside the United States. In addition, all of our directors and officers and the directors and officers of the Subsidiary Guarantors are, and all or some of the directors and officers of the JV Subsidiary Guarantors (if any) may be, nationals or residents of countries other than the United States (principally of the PRC), and all or a substantial portion of such persons' assets are located or may be located, as the case may be, outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or such directors and officers or to enforce against us, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

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

Conyers Dill & Pearman (Cayman) Limited, our Cayman Islands legal advisor, has advised that there is uncertainty as to (i) whether the courts in the Cayman Islands would enforce judgments obtained in the United States courts against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States and (ii) whether the Cayman Islands courts would entertain actions brought in the Cayman Islands against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States.

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

Conyers Dill & Pearman, our British Virgin Islands legal advisor, has advised that it is doubtful whether the courts in the British Virgin Islands will enforce judgments obtained in the United States, against us or our directors or officers under the securities laws of the United States or entertain actions in the British Virgin Islands against us or our directors or officers under the securities laws of the United States.

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

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

(a) was obtained by fraud;

(b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time;

(c) is contrary to public policy or natural justice;

(d) is for penal damages; or

(e) is based on foreign penal, revenue or other public law.

We have also been advised by our PRC legal advisor, Commerce & Finance Law Offices, that there is uncertainty as to whether the courts of China would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or their directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) or their directors or officers predicated upon the U.S. federal or state securities laws.

PRESENTATION OF FINANCIAL INFORMATION

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

SUMMARY

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

Overview

We are the leading residential property developer in Henan, according to the China Real Estate Top 10 Research Team, based on a number of factors including scale, profitability, financial stability and growth potential. See "— Awards and Certificates." With an operating history of 20 years in property development in Henan, we have established a well-recognized brand in Henan's residential property market and completed an aggregate GFA of approximately 7.7 million sq.m. between 1992 and June 30, 2012. Leveraging our experience and brand reputation, we have expanded into 26 cities across Henan, including all 18 prefecture-level cities and eight county-level cities, as of June 30, 2012.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan's strong economic growth and significant increase in urbanization. Henan is one of China's most populous province by number of registered residents according to the National Bureau of Statistics of China, with registered residents of approximately 104.9 million as of December 31, 2011. From 2006 through 2011, Henan's GDP grew from RMB1,236.3 billion to RMB2,693.1 billion, representing a CAGR of 16.9%. During the same period, Henan's urbanization rate also grew significantly by 8.1%, from 32.5% to 40.6%, which was yet at a level considerably below the national urbanization rate of 51.3% in 2011, leaving room for further growth in urbanization in Henan.

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

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. CapitaLand's shareholding in our Company is approximately 27.0% as of the date of this offering memorandum. CapitaLand has guided us in developing international best practices in risk and internal controls and helped us keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisitions. CapitaLand also performs regular internal control audits, contributing to our corporate governance efforts. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces pursuant to a deed of non-competition undertaking by CapitaLand China and CapitaLand Cayman. See "Our Relationship with CapitaLand."

Since our inception and up until June 30, 2012, we had completed an aggregate GFA of approximately 7.7 million sq.m. (including GFA which had been sold). As of June 30, 2012, we had a total of 62 projects in Henan in various stages of development, including an aggregate planned GFA of approximately 3.3 million sq.m. of properties under development and an aggregate planned GFA of approximately 7.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates. As of June 30, 2012, we had also entered into land grant contracts or land grant confirmation agreements in respect of development sites with an aggregate planned GFA of approximately 3.9 million sq.m. for which we had not yet obtained land use rights certificates.

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

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our turnover was RMB2,739.8 million, RMB4,516.4 million, RMB6,638.4 million (US$1,044.9 million) and RMB3,025.4 million (US$476.2 million), respectively, and our net profit attributable to equity holders of our Company was RMB405.3 million, RMB544.9 million, RMB668.0 million (US$105.1 million) and RMB331.6 million (US$52.2 million), respectively.

In June 2008, we completed our initial public offering on the Hong Kong Stock Exchange. As of January 18, 2013, our market capitalization was approximately HK$7.7 billion (US$988.2 million), based on the closing price of our shares.

Recent Developments

Subsequent to June 30, 2012, we have acquired the following land parcels:

Date of acquisition[1]	Location	Attributable interest	Site area	Planned total GFA	Consideration	Type[2]
			(sq.m.)	(sq.m.)	(RMB in millions)	
July 2012	Xuchang	49%	105,357	323,994	172.7	R
July 2012	Nanyang	51%	89,729	388,026	312.3	R, C
July 2012	Xinxiang	100%	121,761	281,800	226.5	R, C
October 2012	Wugang	100%	108,598	166,400	81.5	R, C
November 2012.	Jiaozuo	100%	55,928	102,415	41.9	R
November 2012.	Pingdingshan	80%	85,189	111,050	86.5	R
November 2012.	Xuchang	60%	255,489	198,300	170.4	R, C
November 2012.	Shangqiu	100%	149,350	290,619	106.8	R, C
November 2012.	Shangjie	100%	117,973	181,900	126.5	R
November 2012.	Luohe	100%	49,805	124,800	57.2	R
December 2012	Shangjie	100%	251,749	396,505	270.0	R
December 2012	Shangjie	100%	62,187	97,945	66.7	R
Total			1,453,115	2,663,754	1,719.0	

Notes:

(1) Refers to the date of entering into the land grant confirmation agreements.

(2) Property type includes Commercial "C," Residential "R" and Hotel "H."

General Information

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

SUMMARY OF THE OFFERING

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

Issuer	Central China Real Estate Limited (the "Company").
Notes Offered	US$200,000,000 aggregate principal amount of 8.0% Senior Notes due 2020 (the "Notes").
Offering Price	100% of the principal amount of the Notes.
Maturity	January 28, 2020
Interest	The Notes will bear interest from and including January 28, 2013 at the rate of 8.0% per annum, payable semiannually in arrears.
Interest Payment Dates . . .	January 28 and July 28 of each year, commencing July 28, 2013.
Ranking of the Notes	The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations described under the caption "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral" and "Description of the Notes — The Subsidiary Guarantees";
- effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefore (other than the Collateral); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the extension of the security interests over the Collateral by the Company and the Subsidiary Guarantor Pledgors to secure the Notes and the Subsidiary Guarantees and subject to certain limitations described under "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral," the Notes will:

- be entitled to a first priority lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors (subject to any Permitted Liens and *pari passu* sharing);

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law); and

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

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

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

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

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

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

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

- is a general obligation of such Subsidiary Guarantor;

- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

	After the extension of the security interests over the Collateral (as described below) by the Company and the Subsidiary Guarantor Pledgors, the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor: ● will be entitled to a first ranking security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any permitted liens and *pari passu* sharing); and ● will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral."
Ranking of JV Subsidiary Guarantees	A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor following a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in such Subsidiary Guarantor, where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of such Subsidiary Guarantor. No JV Subsidiary Guarantee exists as of the Original Issue Date. The JV Subsidiary Guarantee of each JV Subsidiary Guarantor: ● will be a general obligation of such JV Subsidiary Guarantor; ● will be enforceable only up to the JV Entitlement Amount; ● will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefore (other than the Collateral); ● will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment of such JV Subsidiary Guarantee; and ● will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).
Security to be Granted . . .	The Company has agreed to extend, or cause the initial Subsidiary Guarantor Pledgors to extend, as the case may be, the benefit of the security interests created over the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (the "Collateral") to the Holders in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. The Collateral will be shared on a *pari passu* basis by the holders of the Notes, the holders of other secured indebtedness including the 2009 Convertible Bonds with Warrants, the 2010 Notes and the 2012 Notes and Nomura as party to the 2012 ISDA Master Agreement. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness.

	The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur Permitted Pari Passu Secured Indebtedness which would be secured by the Collateral on a *pari passu* basis with the Notes and the Subsidiary Guarantees. See "Description of the Notes — Security."
Intercreditor Agreement . .	The Trustee will on the date the Notes are issued accede to an intercreditor agreement dated October 20, 2010 entered into by, among others, the Company, the Subsidiary Guarantor Pledgors, the Global Security Agent, the holders of the 2009 Convertible Bonds with Warrants, the trustee for the 2010 Notes, the trustee for the 2012 Notes and Nomura as party to the 2012 ISDA Master Agreement. Upon the Trustee becoming a party to this agreement, this agreement will provide that the security interests created over the Collateral will be shared on a *pari passu* basis among (i) the holders of the Notes, (ii) the holders of the 2009 Convertible Notes with Warrants, (iii) the holders of the 2010 Notes, (iv) the holders of the 2012 Notes, (v) Nomura as party to the 2012 ISDA Master Agreement and (vi) the holders of the Pari Passu Secured Indebtedness (as defined herein), if any, incurred after the date thereof.
Use of Proceeds	The Company intends to use the proceeds of the offering of the Notes to fund new and existing property projects (including land premium), to repay existing indebtedness and the remaining amount for general corporate purposes. The Company may adjust our acquisition and development plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, the Company intends to invest such net proceeds in "Temporary Cash Investments" as defined under "Description of the Notes."
Optional Redemption	At any time and from time to time on or after January 28, 2017, the Company may at its option redeem the Notes, in whole or in part, at the redemption prices set forth in "Description of the Notes — Optional Redemption" plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to January 28, 2017, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 108% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to January 28, 2017, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in "Description of the Notes — Optional Redemption."
Repurchase of Notes Upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Redemption for Taxation Reason	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the Notes — Redemption for Taxation Reasons."
Covenants	The Notes, the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes — Certain Covenants."
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depositary for Euroclear and Clearstream.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-Entry; Delivery and Form."

Delivery of the Notes. . . .	The Company expects to make delivery of the Notes, against payment in same-day funds on or about January 28, 2013 which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "T+5." You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution."
Trustee	DB Trustees (Hong Kong) Limited
Paying and Transfer Agent	Deutsche Bank AG Hong Kong Branch
Note Registrar.	Deutsche Bank Luxembourg, S.A.
Global Security Agent . . .	Deutsche Bank Trust Company Americas
Common Depositary	Deutsche Bank AG London Branch
Listings	Approval in-principle has been received for the listing and quotation of the Notes on SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for as long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.
Ratings	The Notes are expected to be rated "B+" by Standard & Poor's Ratings Services and "B1" by Moody's Investors Service. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes.
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table presents our summary financial information. The summary consolidated financial information as of and for each of the years ended December 31, 2009, 2010 and 2011 have been derived from our audited consolidated financial statements as of such dates and for such years included elsewhere in this offering memorandum. The summary consolidated interim financial information for the six months ended June 30, 2011 and 2012 and as of June 30, 2012 have been derived from our unaudited interim consolidated financial statements as of such date and for such periods included elsewhere in this offering memorandum.

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

Change in Accounting Policy

During the year ended December 31, 2010, we adopted a new interpretation in relation to the classification of term loans that contain a repayment on demand clause, details of which are described in note 3 to our audited consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this offering memorandum.

In November 2010, HKICPA issued HK (Int) 5, which was effective immediately on issuance and set forth the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of HKAS 1, Presentation of financial statements, irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK (Int) 5, our term loans that contain a repayment on demand clause were classified as current liabilities in the statement of financial position. Prior to this change, such term loans were classified in accordance with the agreed repayment schedule unless we had breached any of the loan covenants in the loan agreement as of the end of the reporting period or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

We applied this change in accounting policy retrospectively by re-presenting the opening balances as of January 1, 2009 and 2010, with consequential reclassification adjustments to comparatives for the year ended December 31, 2009. This reclassification has no effect on reported profit or loss, total income and expense or net assets for any period presented. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Change in accounting policy" for more information.

Summary Consolidated Income Statement and Other Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2009	2010	2011		2011	2012	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(RMB'000)	(US$'000)
Turnover	2,739,831	4,516,351	6,638,354	1,044,916	2,529,121	3,025,421	476,220
Cost of sales	(1,788,249)	(2,970,439)	(4,063,916)	(639,684)	(1,374,739)	(1,942,002)	(305,683)
Gross profit	951,582	1,545,912	2,574,438	405,232	1,154,382	1,083,419	170,537
Other revenue	41,964	33,356	71,419	11,242	29,491	62,641	9,860
Other net income/(loss)	21,541	27,532	(16,573)	(2,609)	(13,006)	(7,342)	(1,156)
Selling and marketing expenses	(113,285)	(143,900)	(162,385)	(25,560)	(71,744)	(93,439)	(14,708)
General and administrative expenses	(164,708)	(234,044)	(277,889)	(43,741)	(96,714)	(147,038)	(23,145)
Other operating (expenses)/income	(19,292)	(8,062)	13,338	2,099	(9,719)	(3,646)	(574)
Profit from operations	**717,802**	**1,220,794**	**2,202,348**	**346,663**	**992,690**	**894,595**	**140,814**
Share of losses of associates	(2,831)	(2,224)	(4,162)	(655)	(1,535)	(1,405)	(221)
Share of losses of jointly controlled entities	—	(3,904)	(7,277)	(1,145)	(40,194)	(8,698)	(1,369)
Finance costs	(66,080)	(122,853)	(375,059)	(59,037)	(131,136)	(116,181)	(18,288)
Profit before change in fair value of investment properties and income tax	**648,891**	**1,091,813**	**1,815,850**	**285,826**	**819,825**	**768,311**	**120,936**
Net increase in fair value of investment properties	2,461	3,673	1,900	299	1,380	9,952	1,567
Profit before taxation	**651,352**	**1,095,486**	**1,817,750**	**286,125**	**821,205**	**778,263**	**122,503**
Income tax	(223,221)	(515,427)	(1,074,820)	(169,183)	(489,163)	(429,707)	(67,638)
Profit for the year/period	**428,131**	**580,059**	**742,930**	**116,942**	**332,042**	**348,556**	**54,865**
Attributable to:							
Equity shareholders of the Company	405,326	544,887	667,995	105,146	321,696	331,598	52,196
Non-controlling interests	22,805	35,172	74,935	11,795	10,346	16,958	2,669
Profit for the year/period	**428,131**	**580,059**	**742,930**	**116,942**	**332,042**	**348,556**	**54,865**
Earnings per share							
— Basic (RMB/US$ cents)	20.27	26.57	29.77	4.69	15.64	13.66	2.15
— Diluted (RMB/US$ cents)	20.15	25.59	29.77	4.69	15.64	11.40	1.79
Other financial data							
EBITDA(1)	690,434	1,201,451	2,145,677	337,742	933,962	848,453	133,552
EBITDA margin(2)	25.2%	26.6%	32.3%	32.3%	36.9%	28.0%	28.0%

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

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

Summary Consolidated Statement of Financial Position Data

	As of December 31,				As of June 30,	
	2009	2010	2011	2011	2012	2012
	(RMB'000) (Restated)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Non-current assets						
Property, plant and equipment	244,163	513,268	945,421	148,815	1,269,560	199,836
Investment properties	264,400	276,900	278,800	43,885	313,900	49,410
Interests in associates	19,471	40,837	49,675	7,819	48,269	7,598
Interests in jointly controlled entities	—	2,742,160	3,102,995	488,430	3,469,680	546,148
Other financial assets	15,800	71,800	97,800	15,394	101,800	16,024
Deferred tax assets	19,294	18,260	111,570	17,562	140,684	22,144
	563,128	**3,663,225**	**4,586,261**	**721,905**	**5,343,893**	**841,160**
Current assets						
Trading securities	—	163,461	74,878	11,786	81,081	12,763
Properties for sale	5,247,446	6,334,705	8,624,403	1,357,532	8,774,489	1,381,157
Trade and other receivables	275,625	328,064	441,527	69,499	659,376	103,790
Deposits and prepayments	1,146,004	956,533	1,733,818	272,913	2,641,419	415,775
Prepaid tax	42,474	80,468	109,022	17,161	112,109	17,646
Restricted bank deposits	506,989	536,376	652,863	102,764	768,389	120,949
Cash and cash equivalents	2,364,987	3,370,335	3,255,528	512,439	3,050,397	480,151
	9,583,525	**11,769,942**	**14,892,039**	**2,344,095**	**16,087,260**	**2,532,231**
Current liabilities						
Bank loans	1,114,194	1,423,859	1,110,660	174,824	1,225,840	192,955
Other loans	95,640	168,010	1,245,470	196,044	1,714,350	269,849
Trade and other payables and accruals	2,040,030	2,828,509	5,078,595	799,401	5,847,198	920,384
Receipts in advance	1,770,122	3,453,939	3,098,425	487,711	2,700,311	425,045
Convertible bonds	—	—	549,665	86,521	567,377	89,308
Senior notes	—	1,928,806	1,849,885	291,183	—	—
Tax payable	157,141	311,806	828,655	130,435	852,594	134,203
	5,177,127	**10,114,929**	**13,761,355**	**2,166,119**	**12,907,670**	**2,031,744**
Net current assets	**4,406,398**	**1,655,013**	**1,130,684**	**177,976**	**3,179,590**	**500,487**
Total assets less current liabilities	**4,969,526**	**5,318,238**	**5,716,945**	**899,881**	**8,523,483**	**1,341,647**
Non-current liabilities						
Bank loans	658,622	492,416	516,000	81,221	428,960	67,521
Other loans	372,880	449,870	107,700	16,953	128,000	20,148
Convertible bonds	551,288	552,209	—	—	—	—
Senior notes	—	—	—	—	2,737,230	430,856
Deferred tax liabilities	67,043	52,059	51,493	8,105	53,644	8,444
	1,649,833	**1,546,554**	**675,193**	**106,279**	**3,347,834**	**526,969**
NET ASSETS	**3,319,693**	**3,771,684**	**5,041,752**	**793,602**	**5,175,649**	**814,678**
CAPITAL AND RESERVES						
Share capital	179,637	179,637	215,185	33,871	215,185	33,871
Reserves	2,944,720	3,316,181	4,427,303	696,884	4,524,244	712,143
Total equity attributable to equity shareholders of the Company	**3,124,357**	**3,495,818**	**4,642,488**	**730,755**	**4,739,429**	**746,014**
Non-controlling interests	**195,336**	**275,866**	**399,264**	**62,847**	**436,220**	**68,664**
TOTAL EQUITY	**3,319,693**	**3,771,684**	**5,041,752**	**793,602**	**5,175,649**	**814,678**

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

Risks Relating to Our Business

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

All our past, current and planned property development projects are located in China's Henan. As of June 30, 2012, we had land reserves in Henan, including properties under development and properties held for future development, with an aggregate planned GFA of approximately 10.7 million sq.m. Because we intend to continue to focus our efforts in Henan, we will continue to depend heavily on the growth and performance of Henan's property market. Market demand for residential and commercial properties in Henan may be affected by various factors, including the regional economic environment and any macroeconomic control measures or other regulatory initiatives implemented by the provincial or the central governments. The property market in Henan is mainly driven by demand from end-users (as opposed to investment demand) and major indicators of Henan's property market lag significantly behind national averages. We cannot assure you that demand for new properties in Henan will continue to grow or will not decrease. Decreased demand is likely to affect the selling price of our properties as well as the time it will take us to pre-sell or sell the properties we have developed. Lower selling price, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flows generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flows generated from the sale of our properties, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our sales of residential properties may be adversely affected by the recent purchase restriction policy in the PRC.

Pursuant to the Circular of the General Office of the State Council on Issues concerning Further Works of Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作的有關問題的通知) dated January 26, 2011, as a general rule, municipalities, provincial capitals and cities with high housing prices will implement purchase restrictions for a specified period. In principle, (a) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one house (including a new commodity residential house or a second hand one); and (b) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses and a non-local residential family that cannot provide evidence of local tax or social insurance payment for a required period shall be suspended from purchasing any other commodity residential houses. The cities affected by the purchase restriction policy include (but are not limited to) the city of Zhengzhou, one of our major property markets. A prolonged restriction period could have a material adverse effect on our business, prospects, financial condition and results of operations. We also cannot assure you that other cities of Henan will not implement similar restrictions or that the purchase restrictions implemented in Zhengzhou or other cities (if any) will not have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business is subject to increasing competition.

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

The increasing number of property developers and the intensity of competition among property developers for land, financing, raw materials, skilled management and labor resources may result in increased costs for land acquisition, an over-supply of properties for sale, a decrease in property prices and a slowdown in the rate at which new property developments are approved by government authorities. As of June 30, 2012, we had formed joint ventures with other local property developers and real estate funds established with a trust company and we may co-develop properties with other companies in order to enhance our competitiveness for certain large-scale projects. Such joint venture or co-development may not be successful and may have a lower return. Increased competition or other changes to market conditions may materially and adversely affect our business, prospects, financial condition and results of operations.

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

Property developments require substantial capital investment for land acquisitions and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments by using a combination of sources, from internal funds, borrowings from banks and other parties and funds raised from capital markets, such as our IPO in 2008, the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2011 Rights Issue and the 2012 Notes. Our financing methods may vary from project to project and are subject to the limitations imposed by PRC regulations and monetary policies. Our ability to secure sufficient financing for property developments depends on a number of factors that are beyond our control, including market conditions in debt and equity capital markets, investors' perception of our securities, lenders' perception of our creditworthiness, the PRC economy and PRC regulations that affect the availability and finance costs for real estate companies.

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

- pre-sale proceeds may only be used to fund the property development costs of the relevant projects to which they relate;
- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the payment of land premium;
- we cannot borrow from a PRC bank for a particular project unless we fund at least 35% of the estimated total capital required for that project from our own capital;
- we cannot borrow from a PRC bank for a particular project unless we first obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located;

- PRC banks are restricted from granting revolving credit facilities to property developers that hold idle land and a large amount of vacant commodity properties;

- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans;

- in November 2009, the PRC government raised the minimum down payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions;

- in March 2010, the Ministry of Land and Resources of the PRC (the "MLR") stipulated that the minimum down payment of land premium of 50% must be paid within one month after the signing of a land grant contract and the rest of the land premium must be fully paid within one year after the signing of a land grant contract; and

- on September 29, 2010, the People's Bank of China ("PBOC") and CBRC promulgated the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which provides that all property companies with records of having idle land, changing the land use purpose and nature, delaying the project commencement or completion time and hoarding properties or other acts of noncompliance with applicable laws or regulations shall be restricted from obtaining bank loans or credit facilities for new projects.

We cannot assure you that we will have adequate resources to fund property developments such as land acquisitions (including any unpaid land premiums for past acquisitions). We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to acquire new land reserves, commence new projects or continue the development of existing projects. Such failure may also increase our finance costs and have a material adverse effect on our business, prospects, financial condition and results of operations.

We may be adversely affected by the global economic slowdown and turmoil in the global financial markets beginning in 2008.

The global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 have resulted in a general credit crunch, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. This global economic slowdown has also had a negative impact on property markets and property prices in the PRC. The outlook for financial markets and general economy around the world is uncertain.

Recent global market and economic conditions, including the credit crisis in Europe, the rating downgrade of the United States and heightened market volatility in major stock markets, have been unprecedented and challenging. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue adversely impacting, home owners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their selling prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

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

We rely on borrowings to finance a substantial part of our project developments. A substantial part of our borrowings consist of loans from commercial banks in China. In addition, many of our customers finance their purchases of our properties through mortgage loans. Our ability to obtain bank financing and our customers' ability to obtain mortgage loans, as well as the associated finance costs, are affected by benchmark lending rates and bank reserve requirement ratios set by the PBOC.

As of the date of this offering memorandum, the benchmark one-year lending rate published by the PBOC was 6.00%. The PBOC adjusts the benchmark lending rates from time to time according to the monetary policies of the PRC government. The PBOC may raise lending rates in the future, which could adversely affect our business, financial condition and results of operations. Increases in interest rates increase our finance costs and increase mortgage rates. Moreover, interest rate volatility can make it difficult for us to make plans and implement our strategies and can deter potential home buyers.

The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. In response to economic conditions, the PBOC adjusted the ratio several times since December 2008 to a range of 16.5% to 20.0% as of the date of this offering memorandum. Increases of the bank reserve requirement ratio may negatively impact the amount of funds available for lending to businesses, including us, by commercial banks in China.

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

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

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

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

In September 2007, the MLR issued a regulation requiring property developers to fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. In November 2009, the Ministry of Finance (the "MOF"), MLR, PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly issued the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知), which raises the minimum down payment on land premiums to 50% of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the MLR issued the Circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知), under which the minimum price for a given land grant is required to be equal to at least 70% of the benchmark price of the locality where the parcel of land is granted and the bidding deposit for such land grant is required to be equal to at least 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed and the down payment of 50% of the land premium (taking into account any deposits previously paid) is to be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. The implementation of the regulation requires property developers to maintain a higher level of working capital. This may have a material adverse effect on our cash flow, financial condition and business plans.

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

In addition to increasing our land bank through public tender, auction and listing-for-sale, we have obtained land sites for some of our projects through acquisition of project companies that held the land use rights. We expect to continue to obtain land sites through corporate acquisitions in the future. We cannot assure you that we have discovered, or will be able to discover prior to such acquisitions, all existing or potential liabilities of or risks associated with the target project companies. In addition, the government may change the permitted use of the land sites to which such project companies own the land use rights after our acquisitions, rendering the land sites unsuitable for property development purposes. If any of the undiscovered existing or potential liabilities of the acquired project companies are found to be material, or if we are unable to develop properties as intended, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

The property industry in the PRC is heavily regulated by the PRC government. Property developers in China must comply with various requirements mandated by national and provincial laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, at various stages of the property development a property developer must obtain various permits, licenses, certificates and other approvals, including but not limited to land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion. Each approval may depend on the satisfaction of certain conditions. See "Regulation — Development of a Property Project." We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to such approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the PRC property industry in general, or new processes with respect to the regulatory approvals, or that our projects under development have obtained all necessary approvals. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. If any of these occurs, we will not be able to keep up with our development schedule, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

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

From time to time, the PRC government issues laws, regulations or government policies regarding mortgage financing to regulate the PRC property market. In January 2010, the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market, which, among other things, provides that homeowners with outstanding mortgage loans who intend to buy additional housing properties for themselves, their spouses or dependent children are required to pay a down payment of no less than 40% of the purchase price and the applicable interest rate shall be set strictly based upon the associated risk level. In April 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, pursuant to such notice, interest rate for mortgage loans of second homes cannot be lower than 110% of the PBOC benchmark lending rate. In May 2010, the Ministry of Housing and Urban-Rural Development (the "MOHURD," previously the Ministry of Construction), PBOC and the CBRC jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans. According to a notice jointly issued by PBOC and

CBRC on September 29, 2010, the minimum down payment has been raised to 30% for all first home purchases, and commercial banks are required to suspend mortgage loans for purchases of a customer's third or subsequent residential properties. In January 2011, the State Council issued a circular to further raise the minimum down payment for second home purchases to 60%. See "Regulation — Transfer and Sale of Property — Financing property development and acquisition." In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. In the event that mortgages become more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on mortgages may not be able to purchase our properties. In line with industry practice, we provide guarantees to banks for mortgage loans they offer to purchasers of our properties. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties, if available, it may become more difficult for property purchasers to obtain mortgages from banks in connection with pre-sales. Such difficulties may inhibit pre-sales, which could materially and adversely affect our business, prospects, financial condition and results of operations.

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

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have a significant impact on our cash flow and liquidity position. In August 2005, the PBOC proposed in a report entitled "2004 Real Estate Financing Report (2004中國房地產融資報告)" that the practice of pre-selling uncompleted properties be discontinued, on the grounds that pre-sales create significant market risks and generate transactional irregularities. While such proposal has not been adopted by any PRC government authorities and has no mandatory effect, we cannot assure you that the PRC government will not ban or impose material limitations on pre-sales of uncompleted properties in the future. In April 2010, the MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). The notice urges local governments to enact regulations on the sale of completed commodity properties in light of local conditions and encourages property developers to sell completed commodity properties. Although no local government in Henan has promulgated any such regulation for sale of completed commodity properties, we cannot assure you that regulations of this nature will not be promulgated in the future. In addition, the Zhengzhou City Housing Authority passed a local rule in 2002 which requires that pre-sale proceeds for a given pre-sold project be deposited in an escrow account set up for such project. We have not set up specific escrow accounts for all of our pre-sold property projects in Zhengzhou and therefore are not in full compliance with the local measures. We cannot assure you that other cities in Henan do not have similar requirements. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance our property developments, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

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

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

On August 5, 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report" in which it recommended that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference held in March 2006, a total of 33 delegates to the National People Congress put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of PBOC, published an article pointing out that the way to improve the system for commodity housing pre-sale in China is to abolish the financing function of pre-sale. On April 26, 2007, an economy research group under the National Development and Reform Commission ("NDRC") proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On March 5, 2010, a government work report delivered by Chinese Premiere Wen Jiabao at the Third Session of the 11th National People's Congress pointed out that the PRC government will improve the pre-sale system of commodity housing. For example, the Shanghai local government has adjusted the completion progress level for pre-sale of commodity residential housing projects that obtained the "Permit for Construction Work" after July 1, 2010. Those residential housing projects must have completed the main structural works and passed examination before they can be available for pre-sale, and thus raising the standard for pre-sale.

We cannot assure you that the PRC authorities will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow, results of operations and financial condition.

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

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

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

Construction and development costs account for the majority of our cost of sales and are one of the significant factors affecting our financial condition and results of operations. As a result of economic growth and the boom in the property industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have substantially increased in recent years. Under the terms of most of our construction contracts, contractors may adjust the contract prices to cover increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. We do so in order to maintain good relations with our contractors, which allows us to repeatedly source good quality and service. We are also exposed to the price volatility of labor and construction materials to the extent that we periodically enter into new or renew existing construction contracts at different terms during the life of a project, which may span several years, or if we choose to hire the construction workers directly or purchase construction materials directly from suppliers. Furthermore, we are unable to pass increased costs on to pre-sale purchasers when construction costs increase subsequent to the date of the pre-sale contract. If we are unable to pass on any increase in the cost of labor, construction materials or building equipment to either our construction contractors or to the purchasers of our properties, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

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

As of the date of this offering memorandum, we have five project companies that are conducting annual review or altering their qualification certificates and five newly established project companies that are applying for qualification certificates. Each of our project companies is responsible for the annual submission of its renewal application and shall engage in property developments within its qualification certificate class. If any of our project companies is unable to obtain the relevant qualification certificates, it may not be able to engage in the relevant real estate development project. Otherwise it will generally be given a grace period to rectify any noncompliance and may be subject to a penalty of between RMB50,000 and RMB100,000. Failure to ratify the noncompliance within the grace period could result in the revocation of the qualification certificate and the business license of the relevant project company. We cannot assure you that we will be able to renew our provisional qualification certificates, or obtain or renew our formal qualification certificates in a timely manner, or at all. If any of our project companies fails to do so, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

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

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

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

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

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

We are expanding our business into new market segments, such as hotel and commercial property development. We cannot assure you that we will be able to leverage our residential property experience or our relationship with CapitaLand when entering new sectors. Hotels and commercial properties typically require government approvals, design specifications and building materials that are different from residential properties. In addition, the customers that we target for residential properties are very different from those for commercial and hotel properties. We may also not have sufficient human resources or the necessary expertise to handle such challenges. We cannot assure you that we will be able to leverage our past experience in residential development to meet the challenges in these new businesses. We may not be able to reduce the costs associated with the management of hotels and commercial properties in a timely manner in response to changes in demand for those properties. We also may experience disputes with the hotel management companies that we have engaged or will engage to manage our hotel operations. We cannot assure you that the hotel management companies will render satisfactory services as anticipated. There may not be sufficient and consistent market demand for high-end hotels and commercial properties in our target markets, and, as a result, our results of operations in new business segments may not be profitable or generate recurring income or cashflow as we expect.

We may not be able to successfully manage our growth.

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

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

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

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

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

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

Changes in the fair values of our investment properties are unrealized.

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

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we recorded upward fair value adjustments of approximately RMB2.5 million, RMB3.7 million, RMB1.9 million (US$0.3 million) and RMB10.0 million (US$1.6 million), respectively, on our investment properties. In light of the above, prospective investors should be aware that upward fair value adjustments, which reflect, among other things, unrealized capital gains in the value of our investment properties at the end of relevant accounting reporting period and sometimes arise upon the reclassification of our properties as investment properties, are not profit generated from day-to-day rental income from our investment properties, are largely dependent on prevailing property market conditions, and do not generate cash inflow which can be contributed to payments of interest, principal or other amounts under the Notes unless such investment properties are disposed of and the capital gains are realized. We may not be able to dispose of investment properties at or near their recorded fair values, or at all. Moreover, prospective investors should be aware that property values are subject to market fluctuations, and we cannot assure you that we will be able to record favorable fair value adjustments on investment properties in the future. Should there be any severe downward fair value adjustments on our investment properties in the future, our business, prospects and results of operations may be materially and adversely affected.

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

We believe our brands and trademarks are critical to our success. As of June 30, 2012, we were the registrant of 81 registered trademarks in the PRC, Singapore and Hong Kong, including our “ ” and “ ” trademarks. We have entered into trademark and trade name licensing agreements with Henan Construction Football Club Company Limited (河南建業足球俱樂部股份有限公司), Jianye Education Industry Company Limited (河南建業教育產業有限公司) and Henan Jianye Property Management Company Limited (河南物業管理有限公司), all of which are independent third parties, in relation to their use of the “建業”(*Jian Ye*) name and certain of our trademarks. Under these agreements, we granted non-exclusive rights to use the “建業”(*Jian Ye*) name and certain of our trademarks in China on a royalty-free basis as part of our branding and marketing strategy. See “Business — Intellectual Property Rights.”

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

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

We have incurred significant indebtedness to finance our property development activities. As of June 30, 2012, our total consolidated indebtedness, representing our current and non-current bank and other loans, the 2009 Convertible Bonds with Warrants, the 2010 Notes and the 2012 Notes, was RMB6,801.8 million (US$1,070.6 million), of which RMB3,507.6 million (US$552.1 million) was recorded as current liabilities. The liability component of the 2010 Notes in the amount of RMB1,849.9 million was re-classified as current liabilities in our consolidated financial statements as of and for the year ended December 31, 2011 in accordance with HKFRS due to the existence of certain breaches under the 2010 Indenture on December 31, 2011. Holders of the 2010 Notes have waived these breaches pursuant to a consent solicitation completed in March 2012. As of June 30, 2012 the liability component of the 2010 Notes has been reclassified as non-current liabilities. We cannot assure you that we will be able to refinance our indebtedness as it matures, in which case we will need to repay our debt with cash generated from operating activities or some other sources. We cannot assure you that our business will generate sufficient cash flow from operations to repay our borrowings as they mature. Repaying borrowings with cash generated by operating activities will divert our financial resources away from land acquisitions and development activities. Our Company and certain of our subsidiaries have entered into loan agreements with various banks in the PRC or Hong Kong pursuant to which they have pledged shares, land use rights, buildings and other assets as security. We may lose part or all of this collateral if we cannot repay or refinance such borrowings as they mature, which could materially and adversely affect our business, prospects, financial condition and results of operations.

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

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

As of June 30, 2012, our outstanding guarantees in respect of mortgage loans amounted to approximately RMB4,697.9 million (US$739.5 million). The default rate on mortgages we have guaranteed has been historically low, approximately less than 1% in 2009, 2010 and 2011 and the six months ended June 30, 2012. There can be no assurance that the default rate will not increase in the future. If substantial defaults occur and we are called upon to honor our guarantees, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our results of operations fluctuate from period to period.

Our results of operations have varied significantly in the past and may continue to fluctuate from period to period in the future. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our turnover was RMB2,739.8 million, RMB4,516.4 million, RMB6,638.4 million (US$1,044.9 million) and RMB3,025.4 million (US$476.2 million), respectively, and our net profit attributable to equity holders of our Company was RMB405.3 million, RMB544.9 million, RMB668.0

million (US$105.1 million) and RMB331.6 million (US$52.2 million), respectively. Our turnover is significantly affected by the number of properties that we can complete and sell during any particular period, which may be limited due to the substantial capital required for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. In addition, several properties that we have developed or that are under development are large scale and are developed in multiple phases over the course of one to several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact our sales proceeds and, accordingly, our turnover for any given period. Since no sales revenue is recognized in respect of our property until the later of the signing of the sale and purchase agreement and the completion of the property, therefore, our revenue and profit during any given period reflects the quantity of properties delivered during that period and are affected by any peaks or troughs in our property delivery schedule and may not be indicative of the actual demand for our properties or sales achieved during the period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers in the past, typically in the prior fiscal period. As a result, our operating results for any period are not necessarily indicative of results that may be expected for any future period.

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

We carry out a portion of our business through joint ventures and similar arrangements with third parties. We have entered into three strategic cooperation agreements with Bridge Trust to set up trust funds focusing on investment in real estate markets. For more information, see "Description of Other Material Indebtedness — Other PRC Loans — Bridge-CCRE Trust I, II, III and IV." We also founded joint ventures with other property developers in Henan. A number of our joint ventures are "jointly controlled entities" under HKFRS. We do not have sole discretion with respect to the management or operations of our joint ventures. Business decisions, corporate actions and other matters with respect to the jointly controlled entities will require the approval of our partners or their representatives. In addition, in accordance with PRC law, certain matters relating to a joint venture require the consent of all parties to the joint venture. Our joint venture arrangements involve a number of risks, including:

- disputes with our partners in connection with the performance of their obligations under the relevant joint venture development agreement;

- disputes as to the scope of each party's responsibilities under these arrangements;

- financial difficulties encountered by our partners affecting their ability to perform their obligations under the relevant joint venture property development agreement; or

- conflicts between the policies or objectives adopted by our partners and those adopted by us.

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

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

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

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

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

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within one to two years after delivery of the property or within a timeframe set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for application and approval processes. Under current regulations, property developers are required to submit requisite governmental approvals in connection with their property developments, including a land use rights certificate, a certificate evidencing the construction has met the requirements of relevant planning permits, a certificate evidencing the construction has been completed and a property survey report, to the local bureau of land resources and housing administration after the receipt of the certificate of completion for the relevant properties and to apply for the general property ownership certificate in respect of these properties. Property developers are then required to submit, within regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, and the general property ownership certificate, to the bureau for review prior to the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. Property developers, including us, may become liable for monetary penalties to purchasers for late delivery of the individual property ownership certificates due to delays in the administrative approval processes or for other reasons beyond our control. We cannot assure you that we will be able to timely deliver all property ownership certificates in the future. We have been subject to liabilities as a result of late deliveries of property ownership certificates in the past, and cannot assure you we will not incur such liabilities in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Certain Income Statement Items — Other net (loss)/ income."

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

Under PRC tax laws and regulations, our project companies in the PRC are subject to land appreciation tax ("LAT") on the appreciation value of their land and the improvements on the land. Under the audited taxation method, all income from the sale or transfer of state-owned land use rights, and buildings and their attached facilities in the PRC, is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by relevant tax laws. Certain exemptions are available for the sale of ordinary residential houses if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. Under the Notice on Strengthening the Administration of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) promulgated by the Henan Local Tax Bureau in June 2004, the amount of LAT payable in Henan can be calculated using the authorized taxation method instead of the audited taxation method. Property developers are permitted to select the method of tax calculation they adopt, subject to the approval of the local tax authorities. Under the authorized taxation method, LAT liabilities are based on a fixed rate, which ranged from 1.5% to 4.5% of the proceeds from pre-sales of the properties during the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, depending on the city in which the enterprise was located.

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

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

During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we estimated and made provisions for LAT for which we believe we were liable in accordance with the relevant PRC tax laws and regulations, and we paid provisional LAT at the rate of 1% to 3% of the sales proceeds received in accordance with LAT regulations. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we made LAT payments in the amount of approximately RMB74.8 million, RMB143.8 million, RMB235.4 million and RMB148.7 million (US$23.4 million), respectively, and we made provisions for LAT in the amount of approximately RMB51.6 million, RMB226.8 million, RMB579.2 million and RMB196.0 million (US$30.9 million), respectively. Before disallowance of the authorized taxation method in May 2010, LAT liabilities for 17 of our subsidiaries were calculated using the authorized taxation method for the whole or part of this period, while our remaining subsidiaries adopted the audited taxation method. The method of calculating LAT liability may differ for a subsidiary from year to year depending on application made by such subsidiary and approval granted by government authorities.

We cannot assure you that the local tax authorities will agree to the basis on which we calculate the amounts of LAT payable by us. In addition, we cannot assure you that the tax rate applied under the audited taxation method will not increase, or that the PRC government or local tax authorities will not completely abolish the authorized taxation method. If the tax authorities determine that a higher amount of LAT should be paid in the future, or if the final settlement of our LAT obligations results in an amount greater than what we have already paid or made provision for, our business, prospects, financial condition and results of operations may be materially and adversely affected.

If any cultural relics are discovered at a construction site, it could result in the delay or abandonment of a property development project.

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

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

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

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

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

We may suffer losses arising from uninsured risks.

In line with industry practice, we do not maintain insurance for destruction of or damage to our property developments (whether they are under development or have been completed and are pending delivery). Similarly we do not carry insurance covering liabilities rising from tortious acts or other personal injuries on our project sites. Losses incurred or payments we may be required to make in connection with any uninsured losses, damages and liabilities in the course of our operations and property development may have a material adverse effect on our business, prospects, financial condition and results of operations.

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

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

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

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

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

We may be involved in disputes with various parties, including joint venture parties, management companies, purchasers, suppliers, contractors, construction workers and trustees, and these disputes may lead to legal and/or other proceedings and may result in substantial costs, delays in our development schedule, and the diversion of resources and management's attention, regardless of the outcome. As of June 30, 2012, third party claims against us primarily consisted of disputes with suppliers. We cannot assure you that we will not be involved in a larger number of proceedings or that such proceedings will not involve larger amounts in controversy in the future. The outcome of these proceedings may materially and adversely affect our operation and our reputation.

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

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

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

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

In addition, each property development project is required by the relevant PRC laws and regulations to undergo environmental assessments and to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. Failure to obtain such approval prior to construction may result in suspension of construction and a penalty amounting up to RMB100,000 for each project.

We did not submit environmental assessment documents to the local authorities regarding the construction of certain of our property projects. The environmental investigations conducted relating to each of our property development projects to date have not revealed any material environmental liability. However, it is possible that these investigations did not reveal all environmental liabilities and there may be environmental liabilities of which we are unaware that may have a material adverse effect on our business and financial condition. In addition, if more stringent regulations are adopted in the future, we cannot assure you that we will be able to fully comply with such regulations and the costs of compliance with these new regulations may be substantial. If any of these occur, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

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

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

As of June 30, 2012, we had interests under land grant contracts or land use rights transfer agreements in respect of development sites with an aggregate planned GFA of approximately 3.9 million sq.m. for which we have not obtained the land use rights certificates. These parcels of land were held for our development in the future pending obtaining of relevant land use rights certificates. If we fail to obtain the land use rights certificates with respect to these parcels of land in a timely manner, or at all, or if we are required to pay a higher land premium, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

We have been engaged by the Housing System Reform Commission Office of Kaifeng City to develop Jianye Dahong City Garden Project for economic housing, for which we obtained allocated land use rights certificates with an aggregate planned GFA of approximately 242,114 sq.m. The project had been completed as of June 30, 2012. However, we cannot transfer, lease, pledge or mortgage the property, except in the limited circumstances as allowed by relevant PRC laws and regulations. Under the engagement, we have to sell the economic housing at a fixed rate of return to a designated group of purchasers. The profitability of such an economic housing project is generally lower than that of a project developed on granted land. The restrictions in respect of mortgaging or pledging the allocated land also limit our ability to finance the project through bank borrowings, and as a result we may have to finance part or all of the project by funds generated from our internal operations. Further, in the event that we develop more economic housing projects in the future, we may not be able to generate a level of return comparable to our historical return on our other project developments, or at all.

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

Under the PRC Corporate Income Tax Law (中華人民共和國企業所得稅法) (the "CIT Law") enacted by the National People's Congress in March 2007, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC are considered "resident enterprises" for PRC tax purposes and will generally be subject to the CIT at the rate of 25% on their global income. The implementation rules of the CIT Law define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 which specifies certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises or PRC enterprise groups. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for enterprises established offshore by private individuals or foreign enterprises like us. Substantially all of our management is currently located in the PRC. If we are treated as a PRC resident enterprise for income tax purposes, we will be subject to income tax at the rate of 25% on our global income (excluding dividends received by us from our direct equity investment in other PRC resident enterprises if such dividends are treated by the relevant tax authorities as "tax-exempt income"). Furthermore, we would be obligated to withhold PRC income tax of up to 7%, subject to approval by the relevant tax authorities, on payments of interest, and possibly premium, on the Notes to investors that are non-resident enterprises located in Hong Kong, or 10% on payments of interest, and possibly premium, on the Notes to investors that are non-resident enterprises located outside Hong Kong, if the interest would be regarded as being derived from sources within the PRC (or we may be required to withhold 20% in the case of payments to individuals). If we fail to make proper withholdings, we may be subject to fines and other penalties. If we are required to withhold PRC tax as described above, we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could adversely affect our profitability and cash flow. If we are treated as a PRC resident enterprise, any gain realized by non-resident enterprise investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax (20% in the case of individuals).

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

In the event we are treated as a PRC "resident enterprise" under the CIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under "Description of the Notes — Redemption for Taxation Reasons," in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law or the stating of an official position regarding the application or interpretation of such law, including any change or interpretation that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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

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

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

As of the date of this offering memorandum, our controlling shareholder, Mr. Wu, through Joy Bright Investments Limited, beneficially owned 47.1% of our issued share capital as well as share options to subscribe for an additional 0.4% of our issued share capital. Mr. Wu is able to significantly influence most matters requiring our shareholders' approval, including the election of directors and the approval of significant corporate transactions, including mergers and acquisitions. The interests of Mr. Wu may not be consistent with our interests or those of our creditors, including the holders of the Notes, and Mr. Wu may cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Notes.

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

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

We are required to provide guarantee on return in respect of certain trust financings.

In May 2010, CCRE China entered into a strategic cooperation agreement with Bridge Trust to establish the Bridge Trust — CCRE Real Estate Investment Series Trust (the "Bridge-CCRE Trust I") with a total trust capital of RMB669.4 million. In April 2011, CCRE China entered into a similar strategic cooperation agreement with Bridge Trust to establish the Bridge Trust — CCRE Group Real Estate Trust Investment Fund II (the "Bridge-CCRE Trust II") with a trust capital of RMB1,077.6 million. In April 2012, CCRE China further entered into a strategic cooperation agreement with Bridge Trust to establish another two trusts, CCRE Real Estate Trust Fund III ("Bridge-CCRE Trust III") and CCRE Real Estate Trust Fund IV ("Bridge-CCRE Trust IV") with a combined trust capital of RMB900 million. Pursuant to the agreements, CCRE China has agreed to guarantee a minimum trust return of 7.5%, 8.5%, 10% and 10% per annum for Bridge-CCRE Trust I, II, III and IV, respectively, and to make up any shortfall of the actual trust income from the amount of guaranteed return. All four trusts have maximum tenors of five years. The trust capital of Bridge-CCRE Trust I and II may be used by way of equity injection into our onshore project companies or investments in national or company bonds and any other financial products as approved by the CBRC. The trust capital of Bridge-CCRE Trust III and IV will principally be used in our existing or new property development projects. We cannot assure you that investment yields of the Bridge-CCRE Trust I, II, III or IV can achieve the minimum trust returns as provided under the respective agreements and in such case we may need to incur additional expenses to make up such difference which might adversely affect our business, prospects, financial condition and results of operations. See "Description of Other Material Indebtedness . Other PRC Loans — Bridge-CCRE Trust I, II, III and IV" for more information.

CapitaLand may lower its shareholding in our Company.

As of the date of this offering memorandum, CapitaLand held approximately 27.0% of our issued share capital, and CapitaLand is currently our second largest shareholder. Two appointees from CapitaLand sit on our board of directors as non-executive directors, and CapitaLand is also represented on our audit committee and our strategic and investment committee. On May 16, 2008, CapitaLand China and

CapitaLand Cayman entered into a deed of non-competition undertaking with us with respect to CapitaLand's activities in China. See "Our Relationship with CapitaLand." We cannot assure you that CapitaLand will not decrease its shareholding in our Company, in which case the non-competition undertakings may lapse and we may not be able to benefit from CapitaLand's extensive knowledge and expertise in the real estate industry.

We have not fully paid social insurance premiums for all employees, which may lead to the imposition of fines and penalties and adversely affect our business.

In accordance with relevant PRC national labor laws and regulations, we are required to contribute to a number of employee social welfare schemes for the benefit of our employees. Such schemes include social insurance and housing provident fund contributions. We have not fully paid all social insurance premiums for all employees in the PRC. The turnover rate of our employees is high and there are significant practical difficulties in completing the necessary social security registration within the short period of their employment. We may be required by the relevant PRC authorities to make such outstanding payments in the future. If this occurs, and if we fail to make such payments within the time period specified by the authorities, a daily fine of 0.05% on any delinquent payments may be imposed on us. There can be no assurance that we will not be ordered to rectify any of these incidents of noncompliance in the future.

Any default under any of our financing arrangements may result in enforcement actions and adversely affect us, our reputation and the trading price of our securities.

We have recently obtained a waiver from the holders of our 2010 Notes of certain defaults under our 2010 Notes that resulted from transactions that were not permitted under the 2010 Indenture, including investments that were not in compliance with the limitation on restricted payments and affiliate transactions with respect to which we did not provide the required fairness opinions.

While we have taken steps to improve our compliance function, such as establishing a covenant compliance team, we cannot assure you that defaults under our financing arrangements may not occur again in the future. Any occurrence of defaults in the future may require us to seek consent of the relevant parties or repay the relevant financing or financings. Any such unscheduled repayment or the cost and management resources required to obtain such consent could adversely affect our business, prospects, financial condition and results of operations. Any failure to repay such financing or to obtain such consent could result in enforcement action, adversely affecting our financial condition. In addition, the market may view any defaults unfavorably as they may suggest that we do not have adequate corporate governance. Ineffective corporate governance or a perception of ineffective corporate governance may result in a loss of investor confidence in us generally, which in turn could harm our business and negatively impact the trading price of our securities.

Risks Relating to the Property Industry in the PRC

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

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

Regarding land usage:

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

- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a GFA of less than 90 sq.m. per unit and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- suspending or restricting land grants and development approvals for luxury homes and larger-sized units; and

- charging idle land fees for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more.

Regarding loan financing:

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a GFA of 90 sq.m. or more, effective from June 1, 2006; increasing the minimum amount of down payment to 40% of the purchase price of the second or subsequent residential property and the interest rate of mortgage loans to 1.1 times the then benchmark rate promulgated by the PBOC for residential property purchasers who already have outstanding residential mortgage loans, effective from September 27, 2007;

- increasing the minimum amount of down payment to 50% of the purchase price for the multiple residential properties bought with a loan, effective from April 17, 2010. Chinese banks are also required to significantly increase, at their discretion, the down payment and interest rate requirement for those who purchase multiple residential properties. Effective from September 29, 2010, Chinese banks are also required to stop providing mortgage loans for the third or subsequent residential property temporarily and refuse to provide mortgage loans to non-local mortgage loan applicants who cannot provide proof of one year or above of local tax payment record or social security payment record;

- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties and prohibiting the commercial banks from granting new project loans to property developers that hold idle land or that have participated in speculative land dealing; prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans; and prohibiting commercial banks from making additional loans based on the increased value of the underlying property prior to the full repayment of an existing loan; and

- tightening availability of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks.

Regarding foreign investment:

- requiring that at least 50% of the total project investment must be in the form of registered capital for newly established foreign-invested property development companies with total investments of US$10 million or more, effective July 11, 2006; and

- prohibiting foreign-invested property development companies that obtained approval certificates from and registered with the PRC Ministry of Commerce ("MOFCOM") on or after June 1, 2007 from incurring any overseas loans, promulgated on July 10, 2007.

Regarding tax measures:

- imposing a business tax levy on the entire sales proceeds from resale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented in 2005; such business tax was reduced during the period from January 1, 2009 to December 31, 2009; if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas if the holding period is shorter than two years, business tax based on the basis of price difference between the transfer income and original price for transfer of ordinary residences shall be paid;

- increasing the annual tax rate on urban land use rights from RMB0.5–10 to RMB1.5–30 per sq.m. for metropolitan areas depending on the location and type of use, and requiring foreign investment enterprises using urban land, for the first time, to pay a tax on urban land use from January 1, 2007; and

- imposing or increasing taxes on short-term gains from second-hand property sales.

Regarding payment of land premiums:

- requiring property developers to pay the land premium for the entire parcel of land under the land grant contract in full before they earn land use rights certificates and commence development of the land, effective November 1, 2007; and

- requiring that the minimum down payment for land premium to be 50% and requiring the land premium to be fully paid within one year after the signing of a land grant contract, effective November 18, 2009, subject to limited exceptions.

In January 2011, the PRC government adopted certain new policies to cool down the real estate property market, including increasing the minimum down payment to at least 60% of the total purchase price for second home purchases with a minimum lending interest rate of at least 110% of the benchmark rate, in certain targeted cities restricting purchasers from acquiring second (or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties, launching new real estate tax schemes in certain cities such as Chongqing and Shanghai on a trial basis, and levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. In addition, certain cities including but not limited to Zhengzhou have promulgated measures further limiting the number of residential properties a single household is allowed to purchase. In May 2011, the PRC government adopted new policies requiring the sale of commodity houses to mark prices on a per unit basis and the public disclosure of all relevant fees to be charged and other details relating to the sale price of such units. In August 2011, MOHURD listed five criteria for the implementation of home purchase restrictions: (i) cities where property prices have risen more rapidly based on the property price index report of 70 cities published in June 2011 by the China Statistics Bureau; (ii) second-or third-tier cities where property prices have seen a sharp rise in June 2011 with prices at the end of 2010 used as the benchmark; (iii) cities where property transaction volumes in the first half of 2011 increased faster than in the first half of 2010; (iv) cities neighboring those where home purchase restrictions have been implemented and those with a higher proportion of non-local resident home buyers; and (v) cities whose residents complain about the overly high or fast-rising property prices or inefficiency of the current control measures. Furthermore, in order to further cool down the property market, in the second half of 2011 the PRC government extended home purchase restrictions to second- and third-tier cities in addition to the 40-plus first-and second-tier cities which have already adopted home purchase restriction measures. Second-and third-tier cities with high housing prices which meet two of the above-mentioned five criteria issued by the MOHURD may be required to impose home purchase restriction measures. See "Regulation — Measures on stabilizing housing prices." These measures to stabilize the real estate markets have led to reduction in investment and profit in much of the real estate industry and have adversely affected our business and operations. We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. For example, the PRC government has announced that it may impose a broader real estate tax in the future. We are not sure whether and when such tax will be imposed and neither can we assess the adverse impact of the new tax on our business operations and financial results. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

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

- foreign investment in the property sector in the PRC relating to luxury properties should be strictly controlled;

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

- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities; and

- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those foreign-invested real estate enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspection.

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

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

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

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

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

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

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond our control, may affect the development of the property market. The level of uncertainty is increased by the limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for residential real estate may discourage investors from acquiring new properties as resale is not only difficult, but can also be a long and costly process. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights, may further inhibit demand for property development.

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

Land parcels acquired by property developers for future development may have existing buildings or other structures or be occupied by third parties. Where land is obtained from the PRC government, resettlement or similar costs are usually included in the land premium payable. Government authorities are required to enter into written agreements with the owners of properties subject to demolition and to provide compensation for their relocation and resettlement costs. The compensation payable by government authorities cannot be lower than the market value of similar properties at the time of expropriation. If the compensation paid by government authorities increases significantly due to increases in property market prices, the land premiums payable by us may be subject to substantial increases, which could adversely affect our business, results of operations and financial condition. In addition, any delay or difficulty in the resettlement process may cause a delay in the delivery of land to us, in whole or in part, and may require an increase in the fees payable in connection with the resettlement process. In addition, if a local government fails to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, it may unilaterally decide on a compensation plan for such owners or residents, but the owners or residents have the right to file for administrative review with relevant government authorities or initiate lawsuits, which may delay a project's timetable. Such delays may lead to an increase in cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects. If we experience an increase in resettlement costs or experience any delay due to the inability to reach a resettlement agreement, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

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

Risks Relating to the PRC

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

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

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

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

Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly Singapore dollars, may have a material adverse effect on us and on your investment.

The Notes are denominated in Singapore dollars, while substantially all of our turnover is generated by our PRC operating subsidiaries and is denominated in Renminbi. The exchange rates between the Renminbi and foreign currencies are affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 0.5% each day. The floating band was further widened to 1.0% on April 16, 2012. There remains significant international pressure on the PRC government to adopt a more flexible currency policy.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented, it is possible that they may result in a devaluation of the Renminbi against the U.S. dollar, the Singapore dollar or other foreign currencies, in which case our financial condition and results of operations could be adversely affected because of our substantial foreign-currency-denominated indebtedness and other obligations. Such devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements with respect to our Singapore dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging agreements permitted under the indenture governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the indenture governing the Notes. If we were unable to provide such collateral, it could constitute a default under such agreements.

Governmental control over currency conversion may limit our ability to utilize our cash effectively and potentially affect our ability to pay interest to holders of the Notes.

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

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

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

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

Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, and swine flu caused by H1N1 virus, or H1N1 flu, may materially and adversely affect our business, financial condition and results of operations. In 2009, there were reports on the occurrences of H1N1 flu in certain regions of the world, including the PRC where we operate our principal business. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business.

Moreover, China has experienced natural disasters like earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2010, China experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. Since the beginning of 2010, there have occurred severe droughts in southwestern China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in China may adversely affect its economy and in turn our business.

There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 flu or other epidemics, will not seriously interrupt our operations or those of our customers, which may have a material and adverse effect on our results of operations.

Risks Relating to the Notes

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

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

Creditors, including trade creditors of Non-Guarantor Subsidiaries (including all our PRC subsidiaries) and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2012, our PRC subsidiaries had bank and other loans in the amount of approximately RMB3,497.2 million (US$550.5 million), capital commitments in the amount of approximately RMB16,510.2 million (US$2,598.8 million) and contingent liabilities arising from guarantees in the amount of approximately RMB4,697.9 million (US$739.5 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes (other than the Collateral).

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

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

We have significant indebtedness outstanding. As of June 30, 2012, our consolidated current bank loans, other loans and convertible bonds and our consolidated non-current bank loans, other loans and senior notes amounted to approximately RMB3,507.6 million (US$552.1 million) and RMB3,294.2 million (US$518.5 million), respectively. In addition, as of June 30, 2012, our capital commitments were approximately RMB16,510.2 million (US$2,598.8 million). See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Commitments."

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

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

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

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

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

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

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

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

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

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

Although the indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries, joint ventures (including joint ventures in which we may own less than a 50% equity interest, and such joint ventures may or may not be Restricted Subsidiaries) or in third parties, these restrictions are subject to important exceptions and qualifications. Under the circumstances provided by these exceptions and qualifications, we will be able to make such investments either by way of equity, loan advances or guarantees for the relevant third parties' obligations, which would otherwise be restricted. See "Description of the Notes — Certain Covenants — Limitation on Restricted Payments" and the related definition of "Permitted Investments" in "Description of the Notes — Definitions."

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be. PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, starting from January 1, 2008, dividends for the year 2008 and onward paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such restrictions tax rate may be lowered to 5%. However, according to a circular issued by the SAT in October 2009, tax treaty benefits will be denied to "conduit" or shell companies without business substance. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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

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

We must offer to purchase the 2010 Notes, the 2012 Notes and the Notes upon the occurrence of a change of control triggering event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of Other Material Indebtedness — 2010 Notes — Change of Control Triggering Event," and "Description of the Notes." Holder of the 2009 Convertible Bonds with Warrants may also require us, subject to certain conditions, to redeem all or some of their convertible bonds upon the occurrence of a change of control on terms and conditions set forth in the trust deed governing the convertible bonds.

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding 2009 Convertible Bonds with Warrants, 2010 Notes, 2012 Notes or Notes. Our failure to make the offer to purchase or to purchase the outstanding 2009 Convertible Bonds with Warrants, the 2010 Notes or the Notes would constitute an Event of Default under the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2012 Notes and the Notes, respectively. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to satisfy our obligations under the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2012 Notes or the Notes and repay the debt.

In addition, the definition of "Change of Control Triggering Event" for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of "Change of Control Triggering Event" for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the 2010 Notes, the 2012 Notes and the Notes and the ability of a holder of the 2010 Notes, the 2012 Notes or the Notes to require us to purchase its notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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

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

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

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

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

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

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that a "connected transaction" exceeding the applicable de minimis value thresholds will require prior approval of the independent shareholders of such listed company. However, the "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes does not capture transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officer's certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

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

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

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

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

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

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

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

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

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

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

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

The Notes will initially only be issued in global certificated form and held through Euroclear Bank S.A./ N.V. ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream"). Interests in the global notes will trade in book entry form only, and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of Notes. The common depositary for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in the Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

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

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

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

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

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

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

The holders of the 2009 Convertible Bonds with Warrants, the 2010 Notes and the 2012 Notes, Nomura as party to the 2012 ISDA Master Agreement and the holders of any future permitted *pari passu* secured indebtedness have a right to share any security interests, guarantees, indemnities and other arrangements that the Company creates or permit to subsist in respect of any debt securities issued thereafter. Therefore, unless such right is waived, any future Subsidiary Guarantees that guarantee the Notes may have to be shared with the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2012 Notes, Nomura as party to the 2012 ISDA Master Agreement and any future permitted *pari passu* secured indebtedness, which may further decrease the funds available to satisfy our financial obligations under the Notes.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions including a cap on the non-guaranteed portion of the assets of JV Subsidiary Guarantors). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company.

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

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

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

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

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

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

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

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

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

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

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

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

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

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

In addition, the Collateral will be shared on a *pari passu* basis by the holders of the Notes and the lenders of certain other indebtedness such as the 2009 Convertible Bonds with Warrants, the 2010 Notes and the 2012 Notes, Nomura as party to the 2012 ISDA Master Agreement and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the Notes that we may issue in the future. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes, the 2010 Notes and the 2012 Notes and the subsidiary guarantees of the Subsidiary Guarantor Pledgors for the Notes, the 2010 Notes and the 2012 Notes and other *pari passu* indebtedness secured by the Collateral, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes or other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

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

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

The Intercreditor Agreement may impact our ability and the ability of the Subsidiary Guarantors to pay amounts due under the Notes and the Subsidiary Guarantees and may limit the rights of holders of the Notes to the Collateral.

If so instructed by the holders of the Notes, the 2009 Convertible Bonds with Warrants, the 2010 Notes or the 2012 Notes, by Nomura as party to the 2012 ISDA Master Agreement or the holders of other permitted *pari passu* secured indebtedness (or their trustees or representatives) given under and in accordance with the Intercreditor Agreement, the Global Security Agent is required to take action to enforce the Collateral. Any such enforcement action will adversely affect our entitlement to receive dividend or other distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Similarly, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected.

The Intercreditor Agreement limits the ability of holders of the Notes to enforce the Collateral, as only the Global Security Agent is permitted to take enforcement actions. The Global Security Agent, pursuant to the Intercreditor Agreement, the Security Documents and underlying indentures, has duties with respect to the Collateral pledged, assigned or granted. Under certain circumstances, such duties may conflict with the interests of the holders of the Notes and other secured parties.

In addition, the Global Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying indentures that are in conflict with the interests of the holders of the Notes and the holders of the 2009 Convertible Bonds with Warrants, the 2010 Notes and the 2012 Notes and Nomura as party to the 2012 ISDA Master Agreement. The Global Security Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes, the 2009 Convertible Bonds with

Warrants, the 2010 Notes or the 2012 Notes or Nomura as party to the 2012 ISDA Master Agreement, unless such holders have offered to the Global Security Agent indemnity and/or security satisfactory to the Global Security Agent against any loss, liability, cost or expenses.

Further, under the Intercreditor Agreement, although the Trustee is entitled to give instructions to the Global Security Agent to enforce the Collateral, in the event that there is any conflicting instruction from another creditor representative which is entitled to so instruct the Global Security Agent, the Global Security Agent will only enforce the Collateral upon receiving written instructions from creditors subject to the Intercreditor Agreement that represent more than 50% of the aggregate principal amount of the related secured liabilities outstanding at such time. Such written instructions from such majority creditors may be in conflict with the written instructions from the Trustee and may conflict with the interests of the holders of the Notes.

If an Event of Default occurs under the Notes, the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2012 Notes or the 2012 ISDA Master Agreement or other permitted *pari passu* secured indebtedness, the holders of such indebtedness must decide whether to take any enforcement action with respect to the Collateral. Thereafter they may, through their respective trustee or representative, instruct the Global Security Agent to take such action pursuant to the terms of the Intercreditor Agreement and the Security Documents. Such action may be adverse to holders of the Notes. In that event, the holders of the Notes would retain only the remedy to sue for payment on the Notes and the Subsidiary Guarantees.

USE OF PROCEEDS

We intend to use the proceeds to fund new and existing property projects (including land premium), to repay existing indebtedness and the remaining amount for general corporate purposes.

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

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

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the interbank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day.

On May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

	Noon buying rate			
Period	**Low**	**Average**[(1)]	**High**	**Period End**
	(RMB per US$1.00)			
2008	6.7800	6.9193	7.2946	6.8225
2009	6.8176	6.8295	6.8470	6.8259
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2221	6.2990	6.3879	6.2301
July	6.3487	6.3717	6.3879	6.3610
August	6.3484	6.3593	6.3738	6.3484
September	6.2848	6.3200	6.3489	6.2848
October	6.2372	6.2627	6.2877	6.2372
November	6.2221	6.2338	6.2454	6.2265
December	6.2251	6.2328	6.2502	6.2301
2013				
January (through January 11, 2013)	6.2156	6.2260	6.2303	6.2156

Source: Federal Reserve H.10 Statistical Release
Note:

(1) Annual and monthly averages are calculated using the average of the daily rates during the relevant period.

Hong Kong

The H.K. dollar is freely convertible into the U.S. dollar. Since 1983, the H.K. dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the H.K. dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the H.K. dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the H.K. dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link at HK$7.80 to US$1.00, or at any exchange rate.

The following table sets forth the exchange rate of the H.K. dollar against the U.S. dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

	Noon buying rate			
Period	**Low**	**Average[1]**	**High**	**Period End**
	(HK$ per US$1.00)			
2008	7.7497	7.7814	7.8159	7.7499
2009	7.7495	7.7513	7.7618	7.7536
2010	7.7501	7.7692	7.8040	7.7810
2011	7.7634	7.7793	7.8087	7.7663
2012	7.7493	7.7556	7.7699	7.7507
July	7.7538	7.7561	7.7586	7.7538
August	7.7543	7.7562	7.7574	7.7560
September	7.7510	7.7540	7.7569	7.7540
October	7.7494	7.7515	7.7549	7.7494
November	7.7493	7.7505	7.7518	7.7501
December	7.7493	7.7501	7.7518	7.7507
2013				
January (through January 11, 2013)	7.7503	7.7509	7.7518	7.7518

Source: Federal Reserve H.10 Statistical Release
Note:

(1) Annual and monthly averages are calculated using the average of the daily rates during the relevant period.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated borrowings and capitalization as of June 30, 2012 on an actual basis and on an adjusted basis to give effect to this offering. The following table should be read in conjunction with our unaudited interim consolidated financial statements and related notes for the six months ended June 30, 2012 included in this offering memorandum.

	As of June 30, 2012			
	Actual[8]		As adjusted[7][8]	
	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Short-term borrowings[1]				
Bank loans due within one year or on demand	1,225,840	192,955	1,225,840	192,955
Other loans due within one year	1,714,350	269,849	1,714,350	269,849
Convertible Bonds[2]	567,377	89,308	567,377	89,308
Total short-term borrowings	3,507,567	552,112	3,507,567	552,112
Long-term borrowings[3][4]				
Bank loans	428,960	67,521	428,960	67,521
Other loans	128,000	20,148	128,000	20,148
Senior Notes	2,737,230	430,856	2,737,230	430,856
Notes to be issued[5]	—	—	1,270,600	200,000
Total long-term borrowings	3,294,190	518,525	4,564,790	718,525
Total equity	5,175,649	814,678	5,175,649	814,678
Total capitalization[6]	8,469,839	1,333,203	9,740,439	1,533,203

Notes:

(1) Short-term borrowings include the current portion of long-term borrowings.

(2) In November 2012, we redeemed a principal amount of HK$78 million of the 2009 Convertible Bonds with Warrants. See "Description of Other Material Indebtedness — 2009 Convertible Bonds with Warrants."

(3) Long-term borrowings exclude the current portion of long-term borrowings.

(4) As of June 30, 2012, our consolidated capital commitments were RMB16,510.2 million (US$2,598.8 million) and our contingent liabilities amounted to approximately RMB4,697.9 million (US$739.5 million). See "Management's Discussion and Analysis of Financial Conditions and Results of operations — Capital Commitments" and "— Contingent Liabilities."

(5) The aggregate principal amount of the Notes, without taking into account and before deduction of underwriting discounts and commission and estimated offering expenses is US$200.0 million. Proceeds from this offering have been translated at the rate of RMB6.3530 to US$1.00 as of June 30, 2012.

(6) Total capitalization includes total long-term borrowings plus total equity.

(7) The as-adjusted data shown above does not take into account the application of any of the proceeds from this offering to repay existing indebtedness.

(8) Amount in Renminbi has been translated into U.S. dollar for convenience only at the exchange rate of RMB6.3530 to US$1.00 based on the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2012.

Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization and indebtedness since June 30, 2012.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents our selected financial information. The selected consolidated financial information as of and for each of the years ended December 31, 2009, 2010 and 2011 have been derived from our audited consolidated financial statements as of such dates and for such years included elsewhere in this offering memorandum. The selected consolidated interim financial information for the six months ended June 30, 2011 and 2012 and as of June 30, 2012 have been derived from our unaudited interim consolidated financial statements as of such date and for such periods included elsewhere in this offering memorandum.

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

Change in Accounting Policy

During the year ended December 31, 2010, we adopted a new interpretation in relation to the classification of term loans that contain a repayment on demand clause, details of which are described in note 3 to our audited consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this offering memorandum.

In November 2010, HKICPA issued HK (Int) 5, which was effective immediately on issuance and set forth the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of HKAS 1, Presentation of financial statements, irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK (Int) 5, our term loans that contain a repayment on demand clause were classified as current liabilities in the statement of financial position. Prior to this change, such term loans were classified in accordance with the agreed repayment schedule unless we had breached any of the loan covenants in the loan agreement as of the end of the reporting period or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

We applied this change in accounting policy retrospectively by re-presenting the opening balances as of January 1, 2009 and 2010, with consequential reclassification adjustments to comparatives for the year ended December 31, 2009. This reclassification has no effect on reported profit or loss, total income and expense or net assets for any period presented. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Change in accounting policy" for more information.

Selected Consolidated Income Statement and Other Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2009	2010	2011		2011	2012	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(RMB'000)	(US$'000)
Turnover	2,739,831	4,516,351	6,638,354	1,044,916	2,529,121	3,025,421	476,220
Cost of sales	(1,788,249)	(2,970,439)	(4,063,916)	(639,684)	(1,374,739)	(1,942,002)	(305,683)
Gross profit	**951,582**	**1,545,912**	**2,574,438**	**405,232**	**1,154,382**	**1,083,419**	**170,537**
Other revenue	41,964	33,356	71,419	11,242	29,491	62,641	9,860
Other net income/(loss)	21,541	27,532	(16,573)	(2,609)	(13,006)	(7,342)	(1,156)
Selling and marketing expenses	(113,285)	(143,900)	(162,385)	(25,560)	(71,744)	(93,439)	(14,708)
General and administrative expenses	(164,708)	(234,044)	(277,889)	(43,741)	(96,714)	(147,038)	(23,145)
Other operating (expenses)/income	(19,292)	(8,062)	13,338	2,099	(9,719)	(3,646)	(574)
Profit from operations	**717,802**	**1,220,794**	**2,202,348**	**346,663**	**992,690**	**894,595**	**140,814**
Share of losses of associates	(2,831)	(2,224)	(4,162)	(655)	(1,535)	(1,405)	(221)
Share of losses of jointly controlled entities	—	(3,904)	(7,277)	(1,145)	(40,194)	(8,698)	(1,369)
Finance costs	(66,080)	(122,853)	(375,059)	(59,037)	(131,136)	(116,181)	(18,288)
Profit before change in fair value of investment properties and income tax	**648,891**	**1,091,813**	**1,815,850**	**285,826**	**819,825**	**768,311**	**120,936**
Net increase in fair value of investment properties	2,461	3,673	1,900	299	1,380	9,952	1,567
Profit before taxation	**651,352**	**1,095,486**	**1,817,750**	**286,125**	**821,205**	**778,263**	**122,503**
Income tax	(223,221)	(515,427)	(1,074,820)	(169,183)	(489,163)	(429,707)	(67,638)
Profit for the year/period	**428,131**	**580,059**	**742,930**	**116,942**	**332,042**	**348,556**	**54,865**
Attributable to:							
Equity shareholders of the Company	405,326	544,887	667,995	105,146	321,696	331,598	52,196
Non-controlling interests	22,805	35,172	74,935	11,795	10,346	16,958	2,669
Profit for the year/period	**428,131**	**580,059**	**742,930**	**116,942**	**332,042**	**348,556**	**54,865**
Earnings per share							
— Basic (RMB/US$ cents)	20.27	26.57	29.77	4.69	15.64	13.66	2.15
— Diluted (RMB/US$ cents)	20.15	25.59	29.77	4.69	15.64	11.40	1.79
Other financial data							
EBITDA(1)	690,434	1,201,451	2,145,677	337,742	933,962	848,453	133,552
EBITDA margin(2)	25.2%	26.6%	32.3%	32.3%	36.9%	28.0%	28.0%

Notes:

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

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

Selected Consolidated Statement of Financial Position Data

	As of December 31,				As of June 30,	
	2009	2010	2011	2011	2012	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Non-current assets						
Property, plant and equipment	244,163	513,268	945,421	148,815	1,269,560	199,836
Investment properties	264,400	276,900	278,800	43,885	313,900	49,410
Interests in associates	19,471	40,837	49,675	7,819	48,269	7,598
Interests in jointly controlled entities	—	2,742,160	3,102,995	488,430	3,469,680	546,148
Other financial assets	15,800	71,800	97,800	15,394	101,800	16,024
Deferred tax assets	19,294	18,260	111,570	17,562	140,684	22,144
	563,128	**3,663,225**	**4,586,261**	**721,905**	**5,343,893**	**841,160**
Current assets						
Trading securities	—	163,461	74,878	11,786	81,081	12,763
Properties for sale	5,247,446	6,334,705	8,624,403	1,357,532	8,774,489	1,381,157
Trade and other receivables	275,625	328,064	441,527	69,499	659,376	103,790
Deposits and prepayments	1,146,004	956,533	1,733,818	272,913	2,641,419	415,775
Prepaid tax	42,474	80,468	109,022	17,161	112,109	17,646
Restricted bank deposits	506,989	536,376	652,863	102,764	768,389	120,949
Cash and cash equivalents	2,364,987	3,370,335	3,255,528	512,439	3,050,397	480,151
	9,583,525	**11,769,942**	**14,892,039**	**2,344,095**	**16,087,260**	**2,532,231**
Current liabilities						
Bank loans	1,114,194	1,423,859	1,110,660	174,824	1,225,840	192,955
Other loans	95,640	168,010	1,245,470	196,044	1,714,350	269,849
Trade and other payables and accruals	2,040,030	2,828,509	5,078,595	799,401	5,847,198	920,384
Receipts in advance	1,770,122	3,453,939	3,098,425	487,711	2,700,311	425,045
Convertible bonds	—	—	549,665	86,521	567,377	89,308
Senior notes	—	1,928,806	1,849,885	291,183	—	—
Tax payable	157,141	311,806	828,655	130,435	852,594	134,203
	5,177,127	**10,114,929**	**13,761,355**	**2,166,119**	**12,907,670**	**2,031,744**
Net current assets	**4,406,398**	**1,655,013**	**1,130,684**	**177,976**	**3,179,590**	**500,487**
Total assets less current liabilities	**4,969,526**	**5,318,238**	**5,716,945**	**899,881**	**8,523,483**	**1,341,647**
Non-current liabilities						
Bank loans	658,622	492,416	516,000	81,221	428,960	67,521
Other loans	372,880	449,870	107,700	16,953	128,000	20,148
Convertible bonds	551,288	552,209	—	—	—	—
Senior notes	—	—	—	—	2,737,230	430,856
Deferred tax liabilities	67,043	52,059	51,493	8,105	53,644	8,444
	1,649,833	**1,546,554**	**675,193**	**106,279**	**3,347,834**	**526,969**
NET ASSETS	**3,319,693**	**3,771,684**	**5,041,752**	**793,602**	**5,175,649**	**814,678**
CAPITAL AND RESERVES						
Share capital	179,637	179,637	215,185	33,871	215,185	33,871
Reserves	2,944,720	3,316,181	4,427,303	696,884	4,524,244	712,143
Total equity attributable to equity shareholders of the Company	**3,124,357**	**3,495,818**	**4,642,488**	**730,755**	**4,739,429**	**746,014**
Non-controlling interests	**195,336**	**275,866**	**399,264**	**62,847**	**436,220**	**68,664**
TOTAL EQUITY	**3,319,693**	**3,771,684**	**5,041,752**	**793,602**	**5,175,649**	**814,678**

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

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

Our consolidated balance sheets as of January 1, 2009 and December 31, 2009 have been restated to account for our change in accounting policy for classification of term loans that contain a repayment on demand clause. The only retrospective adjustments made to our consolidated financial statements were to our consolidated balance sheets as of January 1, 2009 and December 31, 2009 to reclassify such term loans as current liabilities in the balance sheets. No retrospective adjustment has been made to our consolidated income statements for the year ended December 31, 2009 or prior years. See "Summary Consolidated Financial Information — Change in Accounting Policy."

Our consolidated financial statements were prepared in accordance with HKFRS. In this section of the offering memorandum, references to "2009," "2010" and "2011" refer to our financial years ended December 31, 2009, 2010 and 2011, respectively.

Overview

We are the leading residential property developer in Henan, according to the China Real Estate Top 10 Research Team, based on a number of factors including scale, profitability, financial stability and growth potential. See "— Awards and Certificates." With an operating history of 20 years in property development in Henan, we have established a well-recognized brand in Henan's residential property market and completed an aggregate GFA of approximately 7.7 million sq.m. between 1992 and June 30, 2012. Leveraging our experience and brand reputation, we have expanded into 26 cities across Henan, including all 18 prefecture-level cities and eight county-level cities, as of June 30, 2012.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan's strong economic growth and significant increase in urbanization. Henan is one of China's most populous province by number of registered residents according to the National Bureau of Statistics of China, with registered residents of approximately 104.9 million as of December 31, 2011. From 2006 through 2011, Henan's GDP grew from RMB1,236.3 billion to RMB2,693.1 billion, representing a CAGR of 16.9%. During the same period, Henan's urbanization rate also grew significantly by 8.1%, from 32.5% to 40.6%, which was yet at a level considerably below the national urbanization rate of 51.3% in 2011, leaving room for further growth in urbanization in Henan.

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

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. CapitaLand's shareholding in our Company is approximately 27.0% as of the date of this offering memorandum. CapitaLand has guided us in developing international best practices in risk and internal controls and helped us keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisitions. CapitaLand also performs regular internal control audits, contributing to our corporate governance efforts. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces pursuant to a deed of non-competition undertaking by CapitaLand China and CapitaLand Cayman. See "Our Relationship with CapitaLand."

Since our inception and up until June 30, 2012, we had completed an aggregate GFA of approximately 7.7 million sq.m. (including GFA which had been sold). As of June 30, 2012, we had a total of 62 projects in Henan in various stages of development, including an aggregate planned GFA of approximately 3.3 million sq.m. of properties under development and an aggregate planned GFA of approximately 7.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates. As of June 30, 2012, we had also entered into land grant contracts or land grant confirmation agreements in respect of development sites with an aggregate planned GFA of approximately 3.9 million sq.m. for which we had not yet obtained land use rights certificates.

Property developments require substantial capital investment for land acquisitions and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments by using a combination of sources, including internal funds, borrowings from banks and other parties and funds raised from capital markets, such as our IPO in 2008, the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2011 Rights Issue and the 2012 Notes. Our financing methods may vary from project to project and are subject to the limitations imposed by PRC regulations and monetary policies. The following summarizes our main financing methods for our projects:

- ***Internal Funds from Business Operations.*** Our internal funds primarily comprise proceeds from the sale and pre-sale of properties and rental income. We receive pre-sale proceeds when we enter into contracts to sell properties prior to their completion, and those proceeds must be used for the construction of the particular projects which have been pre-sold. We typically receive an initial payment of at least 5% of the purchase price at the time of the execution of the pre-sale contracts and the balance within 45 days thereafter, by which time the customer is typically required to have obtained a bank mortgage.

- ***Funds Raised from Capital Markets.*** We completed our IPO in 2008, raising gross proceeds of approximately HK$1,375.0 million. Subsequent to our IPO, we issued the 2009 Convertible Bonds with Warrants in August 2009, with a principal amount of HK$765 million. We used the proceeds to pay for our acquisitions of land. In August 2010, we issued the 2010 Notes in a principal amount of US$300 million. We used the proceeds to fund new projects, to repay existing indebtedness and for general corporate use. In June 2011, we completed a rights issue of 428 million shares of HK$0.1 each, raising net proceeds of approximately HK$718.2 million. In April 2012, we issued the 2012 Notes in a principal amount of S$175 million. We used the proceeds to fund new and existing projects, to repay existing indebtedness and for general corporate purposes.

- ***Borrowings from Banks and Other Parties.*** As of June 30, 2012, our outstanding bank borrowings amounted to approximately RMB1,654.8 million (US$260.5 million), of which RMB1,612.8 million (US$253.9 million) was secured. In addition, we borrowed term loans from the real estate trusts that we have existing relationships with or investments in. As of June 30, 2012, RMB1,257.6 million (US$197.9 million) remained outstanding under these loans. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property.

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

Key Factors Affecting Our Results of Operations

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

Economic Conditions and Regulatory Environment in the PRC

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

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

Since the second half of 2008, the growth of China's economy has experienced a slowdown as a result of the global economic crisis. The slowdown in economic activities in China has affected and will continue to affect consumer and business spending generally, which may result in decreased demand for real estate properties. While the PRC government and governments around the world have taken remedial actions to address the economic slowdown and financial crisis, there can be no assurance that these actions will be effective. Recent global market and economic conditions, including the credit crisis in Europe, the rating downgrade of the United States and heightened market volatility in major stock markets, have been unprecedented and challenging. If these market conditions continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our business, prospects, financial condition and results of operations have also been, and will continue to be, affected by the regulatory environment in China, PRC governmental policies and measures taken by the PRC government on property development and related industries. In the past few years, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government has introduced policies to restrict development in the property sector. Measures taken by the PRC government to control money supply, credit availability and fixed assets investment also have a direct impact on our business, prospects, financial condition and results of operations. Demand for properties has been affected and will continue to be affected by the macro-economic control measures implemented by the PRC government from time to time. In the past few years, the PRC government has announced a series of measures designed to stabilize the rapid growth of the PRC economy and the growth of specific sectors, including the property market, to a more sustainable level. Since late 2009, the PRC government has adjusted some policies in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain regions and cities. In 2010 and 2011, the PRC government adopted certain new policies to cool down the real estate market. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate property market, though at the same time, the PRC government implemented selected measures to support the growth of the Chinese economy, such as lowering banks' reserve requirement ratio and reducing benchmark lending rates. The PRC government may further introduce initiatives which may affect our access to capital and the means in which we may finance our property development. See the sections entitled "Regulation" as well as "Risk Factors — Risks Relating to the Property Industry in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to prevent overheating of the property sector in the PRC."

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

Costs of Labor, Construction Materials and Building Equipment

Our results of operations are affected by the costs of labor, construction materials such as steel and cement, and building equipment. As a result of the economic growth and the boom in the property development industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced a substantial increase in recent years. We typically enter into construction contracts with state-owned contractors whose credentials tend to be stronger than private contractors. Pursuant to these contracts, contractors are responsible for procuring most of the construction materials for our property development projects as well as wages for workers. Normally, price fluctuation is permitted within a range of 5% above and below the agreed contract amount to reflect increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. We do so in order to maintain good relations with our contractors, which allows us to repeatedly obtain good quality and service. During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, no such contract prices were re-negotiated. However, we are exposed to volatility in labor and construction material prices to the extent that we periodically enter into or renew our construction contracts at different terms during the life of a project, which may span over several years, or if we hire construction workers directly or procure the construction materials directly from suppliers, any of which may result in increased cost of sales and decreased profit margin. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the time of such pre-sale. In addition, as we typically procure building equipment, such as elevators, interior decoration materials and air conditioning systems directly from suppliers, we are directly exposed to the price volatility of building equipment.

Availability and Cost of Land

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

Access to and Cost of Financing

A portion of our funding is raised in capital markets. We completed our IPO in 2008, raising gross proceeds of approximately HK$1,375.0 million. Subsequent to our IPO, we issued 2009 Convertible Bonds with Warrants in August 2009 with a principal amount of HK$765 million. In August 2010, we issued the 2010 Notes with a principal amount of US$300 million due 2015. In June 2011, we completed our rights issue raising net proceeds of HK$718.2 million. In April 2012, we issued the 2012 Notes in a principal amount of S$175 million. We used the proceeds of these offerings to fund new projects, repay existing indebtedness and for general corporate uses.

The table below sets forth the structure of our bank borrowings:

	As of June 30, 2012	
	(RMB'000)	(US$'000)
Secured	1,612,800	253,864
Unsecured	42,000	6,611
Total	1,654,800	260,475

Borrowing from banks and other parties is an important source of funding for our property developments. As of June 30, 2012, our outstanding bank and other loans, convertible bonds and senior notes amounted to RMB6,801.8 million (US$1,070.6 million). Interest on bank and other loans, convertible bonds and senior notes was RMB310.9 million (US$48.9 million) for the six months ended June 30, 2012. In November 2012, we redeemed HK$78 million principal amount of the 2009 Convertible Bonds with Warrants. See "— Critical Accounting Policies — 2009 Convertible Bonds with Warrants."

Certain portion of our borrowings are onshore loans from commercial banks in the PRC, the interest rates of which are linked to the benchmark lending rates published by the PBOC. As such, any increase in such benchmark lending rates will increase the interest costs for financing our developments. Our access to capital and cost of financing is affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A large portion of our finance costs are capitalized, rather than being expensed, at the time they are incurred, to the extent such costs are directly attributable to the acquisition and construction of a project or a projected phase. Our capitalized borrowing costs released to cost of sales for the six months ended June 30, 2012 was RMB188.4 million (US$29.7 million). An increase in our finance costs would negatively affect our profitability and results of operations. Any unavailability of financing would affect our ability to engage in project development activities, which may materially and adversely affect our results of operations.

Timing of Property Development

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

Pricing

The prices of our properties are determined by the market forces of supply and demand rather than through state guidance or by state-prescribed pricing. We price our properties by reference to market prices for similar types of properties at comparable locations and the market response to our property launches. The average selling price of our projects therefore depends on the location and mix of properties sold and completed during each fiscal period. In addition, we generally develop and sell our residential projects in phases. For each development, we generally price subsequent phases higher than the initial launch, partly reflecting the landscaping, amenities and infrastructure that are completed in subsequent phases.

Changes in Product Mix

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

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

Change in Fair Value of our Investment Properties

Our investment properties primarily consist of schools and kindergartens in our property projects. In accordance with HKAS 40, investment properties may be recognized by using either the fair value model or the cost model. We have chosen to recognize investment properties at their fair value because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

As a result of the adoption of amendments to HKAS 40 for the year ended December 31, 2009, investment properties under development as of December 31, 2009 and thereafter were carried at fair value. Any difference between the carrying value of investment properties under development as of December 31, 2008 and the fair value of investment properties under development as of December 31, 2009 was recorded in our consolidated income statement for the year ended December 31, 2009.

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we recorded upward fair value adjustments of approximately RMB2.5 million, RMB3.7 million, RMB1.9 million and RMB10.0 million (US$1.6 million), respectively, on our investment properties.

Pre-sales

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

Critical Accounting Policies

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Notes 2 and 38 to our audited consolidated financial statements as of and for the year ended December 31, 2011 included in this offering memorandum. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items, such as revenue recognition, cost or expense allocation and provision. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue recognition

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

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

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

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

Development costs

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

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

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Properties for sale

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

Provision for properties for sale

Our properties for sale are stated at the lower of cost and net realizable value. Based on our recent experience and the nature of the subject properties, we make estimates of the selling prices, the costs of completion for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realizable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

Impairment provision for buildings and construction in progress

We make impairment provision for the buildings and construction in progress, which mainly represent our hotel properties, taking into account our estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

Investment properties

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

All of our investment properties were revalued as of December 31, 2009, 2010 and 2011 and June 30, 2012 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, on an open market value basis. The completed investment properties are valued by reference to net income with allowance for reversionary income potential. For investment properties under development, their valuations are conducted by reference to the residual value approach taking into account comparable market transactions and any future construction costs required for the completion of the development.

Income tax

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

LAT

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT, which is collectible by the local tax authorities and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value as defined by relevant tax laws. Some of our properties are subject to LAT levied at a rate ranging from 1.5% to 4.5% over the years ended December 31, 2010 and 2011 and the six months ended June 30, 2012, as set by the relevant tax authority using the authorized taxation method. We estimate and make provisions for the amount of LAT payable under the applicable laws and regulations and recognize this as an income tax expense in our income statement together with the recognition of revenue from the sale of our properties. Because at the time we recognize revenue we may not have completed the entire phase of the relevant project or the project as a whole, our estimate of LAT provisions at the time of such delivery requires us to use significant judgment with respect to, among other things, the total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land value and the total amount of various deductible items. Our net profit in the relevant periods will be affected if the ultimate tax determination differs from the amounts that were initially recorded. See "Regulation — Major Taxes Applicable to Property Developers" and "Risk Factors — Risks Relating to our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations."

Deferred tax

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

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

2009 Convertible Bonds with Warrants

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

At initial recognition, the derivative financial instruments embedded in the convertible bonds, consisting of the redemption call option and redemption put option, are measured at fair value. These derivative financial instruments are remeasured at fair value at the end of each accounting reporting period and the gain or loss to fair value on remeasurement is recognized immediately in profit or loss under "Finance Costs." For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the net change in fair value of derivatives embedded to the convertible bonds was a net decrease of RMB3.3 million, a net decrease of RMB9.5 million, a net increase of RMB77.0 million and a net decrease of RMB52.4 million (US$8.2 million), respectively. The liability component is measured as the present value of future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option and warrants. Any excess of proceeds over the amount initially recognized as a liability (and separately accounted for as derivative financial instruments) is recognized as equity.

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

In November 2012, we redeemed a principal amount of HK$78 million of the 2009 Convertible Bonds with Warrants pursuant to one investor's exercise of its early redemption right. The terms of the 2009 Convertible Bonds with Warrants were at the same time amended to remove the early redemption right. The same investor also surrendered 7,758,967 Warrants to us at nil consideration. See "Description of Other Material Indebtedness — 2009 Convertible Bonds with Warrants."

Senior Notes

The 2010 Notes and 2012 Notes were issued with early redemption clause at our option. At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments. These derivative financial instruments are remeasured at fair value at the end of each accounting reporting period and the gain or loss to fair value on remeasurement is recognized immediately in profit or loss under "Finance Costs." Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognized initially as part of the liability. The portion relating to the derivative component is recognized immediately in profit or loss.

We breached certain provisions of the 2010 Indenture as a result of lapses in our covenant compliance procedures. As a result of these breaches being outstanding as of December 31, 2011, in accordance with HKFRS, the liability component of the 2010 Notes in the amount of RMB1,849.9 million was re-classified as current liabilities in the consolidated financial statements as of and for the year ended December 31, 2011. Holders of the 2010 Notes have waived these defaults pursuant to a consent solicitation completed in March 2012. As of June 30, 2012, the liability component of the 2010 Notes has been reclassified as non-current liabilities.

In August 2012, we entered into the 2012 ISDA Master Agreement with Nomura, as the swap counterparty, to manage our foreign exchange rate exposure arising from the issuance of the Singapore dollar-denominated 2012 Notes. The term of the swap was for four years.

Change in accounting policy

In November 2010, HKICPA issued HK (Int) 5, which was effective immediately on issuance and set forth the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of HKAS 1, Presentation of financial statements, irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK (Int) 5, our term loans that contain a repayment on demand clause were classified as current liabilities in the statement of financial position. Prior to this change, such term loans were classified in accordance with the agreed repayment schedule unless we had breached any of the loan covenants in the loan agreement as of the end of the reporting period or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

We applied this change in accounting policy retrospectively by re-presenting the opening balances as of January 1, 2009 and 2010, with consequential reclassification adjustments to comparatives for the year ended December 31, 2009 as follows:

	As previously reported	Effect of adoption of HK (Int) 5	As restated
	(RMB'000)	(RMB'000)	(RMB'000)
Effect on the Group's balance sheet as of December 31, 2009:			
Current liabilities: Bank loans	982,154	132,040	1,114,194
Non-current liabilities: Bank loans	790,662	(132,040)	658,622
Effect on the Group's balance sheet as of January 1, 2009:			
Current liabilities: Bank loans	488,790	212,389	701,179
Non-current liabilities: Bank loans	444,417	(212,389)	232,028

This reclassification has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The HKICPA has issued the amendments to HKAS 12, *Income tax — Deferred tax: Recovery of underlying assets*, that became effective on January 1, 2012. The amendments of HKAS 12 has no material impact on our financial report as the amendments are consistent with policies we already adopted.

Certain Income Statement Items

Turnover

Turnover represents income that arises in the course of our ordinary activities, net of business tax, after eliminating intra-group transactions. We derive substantially all of our turnover from property sales, with a small portion derived from property leasing and construction. We have included income derived from the sales of parking spaces in our projects in our turnover, but have excluded the parking spaces from the total GFA sold and recognized. As a result, the average selling price of our properties would have been slightly lower had the GFA of the parking spaces been included in the total GFA sold and recognized. The table below sets forth turnover attributable to each of our business segments for the periods indicated:

	For the year ended December 31,							For the six months ended June 30,				
	2009		2010		2011			2011		2012		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%
Property sales	2,659,942	97.1	4,391,722	97.2	6,607,504	1,040,060	99.5	2,511,611	99.3	3,014,540	474,507	99.6
Property leasing	22,084	0.8	25,143	0.6	23,629	3,719	0.4	10,289	0.4	10,881	1,713	0.4
Construction	57,805	2.1	99,486	2.2	7,221	1,137	0.1	7,221	0.3	—	—	—
Total	**2,739,831**	**100.0**	**4,516,351**	**100.0**	**6,638,354**	**1,044,916**	**100.0**	**2,529,121**	**100.0**	**3,025,421**	**476,220**	**100.0**

Property Sales

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

	For the year ended December 31,						For the six months ended June 30,	
	2009		2010		2011		2012	
	Total Turnover	GFA Sold	Total Turnover	GFA Sold	Total Turnover	GFA Sold	Total Turnover	GFA Sold
	(RMB'000)	(sq.m.)	(RMB'000)	(sq.m.)	(RMB'000)	(sq.m.)	(RMB'000)	(sq.m.)
Properties sold								
Jianye City Garden (Zhengzhou) (鄭州建業城市花園)	1,374	234	1,205	1,127	2,070	540	—	—
Home Universe (Zhengzhou) (鄭州新天地桂園)	14,375	840	9,285	961	4,293	2,379	—	—
Landmark (Zhengzhou) (鄭州置地廣場)	334,726	51,991	191,211	20,456	—	—	—	—
Jianye Green Garden (Xinxiang) (新鄉建業綠色家園)	355	174	—	—	—	—	—	—
Forest Peninsula (Jiyuan) (濟源森林半島)	4,665	1,016	—	—	807	217	—	—
Landmark (Jiyuan) (濟源新天地)	16,032	4,457	—	—	4,341	704	2,667	289
Code One City (Jiyuan) (濟源壹號城邦)	—	—	106,311	24,316	—	—	341,589	83,223
Forest Peninsula (Shangqiu) (商丘森林半島)	4,055	1,345	—	—	—	—	—	—
Sweet-Scented Osmanthus Garden (Shangqiu) (商丘桂園)	84,062	31,300	118,413	40,217	88,429	23,890	9,262	2,633
U-Town (Zhengzhou) (鄭州聯盟新城)	200,302	21,923	304,297	41,642	10,419	1,334	554,006	58,291
Forest Peninsula (Jiaozuo) (焦作森林半島)	115,558	34,578	99,291	27,351	269,273	66,686	35,000	5,447

	For the year ended December 31,						For the six months ended June 30,	
	2009		2010		2011		2012	
	Total Turnover	GFA Sold	Total Turnover	GFA Sold	Total Turnover	GFA Sold	Total Turnover	GFA Sold
	(RMB'000)	(sq.m.)	(RMB'000)	(sq.m.)	(RMB'000)	(sq.m.)	(RMB'000)	(sq.m.)
Forest Peninsula (Zhengzhou) (鄭州森林半島)	18,129	1,645	251,347	24,309	—	—	—	—
Jianye Champagne Garden (Zhengzhou) (鄭州建業香檳盛園)	212,328	40,814	167,495	29,551	27,186	4,221	2,924	243
Code One City (Zhengzhou) (鄭州壹號城邦)	—	—	—	—	578,066	65,859	116,762	14,631
Jianye Code International Garden (Zhengzhou) (鄭州建業密碼國際)	—	—	—	—	208,861	28,913	6,288	564
Jianye City (Puyang) (濮陽建業城)	64,719	18,500	24,656	8,480	111,144	30,079	7,557	2,372
Jianye City Garden (Puyang) (濮陽建業城市花園)	—	—	48,078	14,494	—	—	73,782	20,875
Forest Peninsula (Zhumadian) (駐馬店森林半島).	61,893	20,265	249,433	80,439	42,930	12,536	—	—
Green Garden (Sanmenxia) (三門峽建業綠色家園)	—	—	1,718	1,045	—	—	—	—
Sanmenxia SOHO (三門峽銀座)	1,248	135	—	—	—	—	—	—
Forest Peninsula (Sanmenxia) (三門峽森林半島).	122,195	34,389	117,226	37,624	115,414	13,910	7,108	2,013
Palladio Luxurious House (Xuchang) (許昌帕拉帝奧)	33,205	7,538	33,775	9,200	—	—	—	—
Gentlest Lake (Xuchang) (許昌美茵湖)	6,148	877	—	—	—	—	—	—
Forest Peninsula (Anyang) (安陽森林半島)	—	—	—	—	—	—	22,383	3,732
Forest Peninsula (Luoyang) (洛陽森林半島)	11,464	1,807	18,084	2,978	126,743	14,245	1,820	469
Gentlost Lake (Luoyang) (洛陽美茵湖)	—	—	—	—	—	—	5,338	1,330
Golf Garden (Luoyang) (洛陽高爾夫)	219,341	62,880	60,631	15,571	436,487	88,941	572,928	107,862
Forest Peninsula (Pingdingshan) (平頂山森林半島).	25,327	2,837	16,749	3,298	—	—	—	—
Forest Peninsula (Luohe) (漯河森林半島)	46,065	13,635	296,926	90,035	52,880	8,672	1,154	203
Jianye Dahong City Garden (Kaifeng) (建業大宏開封城市花園).	50,474	31,781	66,385	29,690	36,336	12,543	10,596	2,546
Forest Peninsula (Kaifeng) (開封森林半島)	—	—	—	—	—	—	113,371	20,481
Code One City (Luoyang) (洛陽壹號城邦)	—	—	176,793	46,095	245,578	46,820	—	—
Forest Peninsula (Xinxiang) (新鄉森林半島)	70,586	18,580	67,979	15,943	85,488	22,052	54,083	15,357
Xihe Fu (Kaifeng) (開封熙和府)	—	—	—	—	—	—	35,078	5,745
Forest Peninsula (Xinyang) (信陽森林半島)	132,492	48,175	161,891	51,548	149,996	37,652	49,305	13,326
Code One City (Luohe) (漯河壹號城邦)	—	—	67,018	19,627	179,955	44,546	203,086	48,954

	For the year ended December 31,						For the six months ended June 30,	
	2009		2010		2011		2012	
	Total Turnover	GFA Sold	Total Turnover	GFA Sold	Total Turnover	GFA Sold	Total Turnover	GFA Sold
	(RMB'000)	(sq.m.)	(RMB'000)	(sq.m.)	(RMB'000)	(sq.m.)	(RMB'000)	(sq.m.)
Maple Garden (Zhengzhou) (鄭州楓林上院)	—	—	352,896	70,993	—	—	—	—
Forest Peninsula (Kaifeng) (開封鄭開森林半島)	140,230	50,580	349,647	89,509	604,829	120,403	144,475	27,612
Huayang Square (Luoyang) (洛陽華陽廣場)	533,750	112,695	684,421	140,065	732,252	120,296	—	—
Forest Peninsula (Zhoukou) (周口森林半島)	54,362	19,611	115,764	40,409	169,392	52,495	148,423	39,977
Forest Peninsula (Shangjie) (上街森林半島)	75,470	26,525	36,917	12,597	94,205	25,564	39,948	9,940
Forest Peninsula (Hebi) (鶴壁森林半島)	—	—	56,333	9,346	230,396	49,392	48,302	8,057
U-town (Shangqiu) (商丘聯盟新城)	—	—	127,222	26,417	279,320	55,438	291,918	55,143
U-town VII (Zhengzhou) (鄭州聯盟新城七期)	—	—	—	—	1,570,706	81,452	20,314	888
Forest Peninsula (Xuchang) (許昌森林半島)	—	—	—	—	104,983	22,514	64,616	14,264
Forest Peninsula (Pingdingshan Wugang) (平頂山舞鋼森林半島)	—	—	—	—	16,372	5,030	28,301	8,834
Others	433	215	1,179	511	1,270	402	2,156	679
Total	**2,659,942**	**662,067**	**4,391,722**	**1,027,278**	**6,607,504**	**1,063,798**	**3,014,540**	**575,980**

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

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, turnover from property sales was RMB2,659.9 million, RMB4,391.7 million, RMB6,607.5 million and RMB3,014.5 million (US$474.5 million), respectively.

Property Leasing

Our turnover from property leasing represents recurring income from our investment properties, which has historically been generated from the rental of kindergarten and school facilities, retail and commercial units and parking spaces and was generally recognized in our income statement in equal installments over the periods covered by the respective lease terms. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, turnover from property leasing was RMB22.1 million, RMB25.1 million, RMB23.6 million and RMB10.9 million (US$1.7 million), respectively.

Construction

A small portion of our turnover is generated from construction contracts we undertook. In 2009, we were engaged by the Henan Province Labor Union (河南省總工會) to manage the development of Xiangsheng Garden (Zhengzhou). For these projects, we charged 3% of the total construction price as fees for our supervising the construction process of that project (in addition to Xiangsheng Garden (Zhengzhou)) and these fees were paid to us on a percentage-of-completion basis. Revenue from these contracts were recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contracts, when the outcome of a given construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that will probably be recoverable. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, turnover from construction was RMB57.8 million, RMB99.5 million, RMB7.2 million and nil, respectively, as we completed the greatest percentage of work under the construction contract with the Henan Province Labor Union in 2010.

Cost of Sales

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

	For the year ended December 31,							For the six months ended June 30,				
	2009		2010		2011			2011		2012		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%
Construction & development costs .	1,324,745	76.2	2,180,723	75.8	2,992,903	471,101	73.8	871,770	64.0	1,543,944	243,026	79.7
Land acquisition costs .	323,363	18.6	532,691	18.5	869,169	136,812	21.4	420,902	30.9	290,579	45,739	15.0
Capitalized borrowing costs	48,678	2.8	96,258	3.4	133,295	20,981	3.3	38,140	2.8	75,551	11,892	3.9
Others.	41,724	2.4	67,260	2.3	60,295	9,491	1.5	31,329	2.3	27,121	4,269	1.4
Total	**1,738,510**	**100.0**	**2,876,932**	**100.0**	**4,055,662**	**638,385**	**100.0**	**1,362,141**	**100.0**	**1,937,195**	**304,926**	**100.0**

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

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

We capitalize a portion of our borrowing costs to the extent that such costs are directly attributable to the construction of a particular project. We are required under HKFRS to capitalize such borrowing costs until a project generates cash flow sufficient to cover its own project costs, at which point borrowing costs are no longer capitalized for that project. In general, we capitalize borrowing costs incurred from the commencement of the planning and design of a project, which predates the receipt of a permit for commencement of construction work, until the physical completion of construction. For any given project, borrowing costs incurred after completing the construction of a project are not capitalized but are instead accounted for in our income statements as finance costs in the period in which they are incurred. Where the duration of a loan is longer than the time to completion of the project, we are unable to capitalize the total interest costs related to the project for the period after completion. Fluctuations in the amount and timing of capitalization from period to period will affect our finance costs.

Other revenue

Other revenue consists primarily of interest income on bank deposits and dividend income from certain unlisted equity securities.

Other net (loss)/income

Other net (loss)/income consists primarily of net realized and unrealized (loss)/gain on trading securities, gain on disposals of property, plant and equipment, gain on the disposal of a subsidiary and net exchange loss or gain.

Selling and marketing expenses

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

General and administrative expenses

General and administrative expenses include administrative staff costs, travelling and entertainment expenses, other professional fees, and general office expenses. They also include depreciation and amortization of fixed assets such as company vehicles and office equipment. We have experienced an increase in our general and administrative expenses as a result of the continued growth of our property development business during the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, which was primarily due to an increase in the number of our employees and the increase in the average salaries for our employees.

Other operating income/(expenses)

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

Share of losses of jointly controlled entities

Share of losses of jointly controlled entities represents share of losses from investment in jointly controlled entities for operating expenses incurred by these entities in the early stages of property development before revenue was generated. No such loss was incurred in 2009 as the jointly controlled entities were either established in 2010 or classified as "jointly controlled entities" for the year ended December 31, 2010 as a result of our disposal or deemed disposal of equity interest therein. The number of our jointly controlled entities increased in 2011 and as a result our share of losses of jointly controlled entities increased in 2011 as compared to 2010.

Share of losses of associates

Share of losses of associates primarily represents our share of losses on our investment in St. Andrews Golf Club (Zhengzhou) Company Limited, one of our associates.

Finance costs

Finance costs include primarily interest on bank and other loans, the 2009 Convertible Bonds with Warrants, the 2010 Notes and the 2012 Notes, net change in fair value of derivatives embedded to the 2009 Convertible Bonds, the 2010 Notes and the 2012 Notes, interest on advances from customers, and net of borrowing costs capitalized into properties under development.

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

Net increase in fair value of investment properties

Net increase in fair value of investment properties represents changes in such value arising from adjustments to existing investment properties in accordance with prevailing market conditions. See "— Critical Accounting Policies — Investment Properties."

Income tax

Income tax primarily consist of provisions for CIT, LAT and withholding tax payable on dividend declared by PRC enterprises to non-PRC resident enterprises. In accordance with the CIT Law, which became effective on January 1, 2008, the corporate income tax rate generally applicable in the PRC has been reduced to 25% of estimated assessable profits from 33%. Under the audited taxation method, the CIT liabilities of our PRC subsidiaries are calculated with reference to their actual profit, and LAT liabilities are calculated at a rate ranging from 30% to 60% of the appreciation value of our PRC subsidiaries' land. For the years ended December 31, 2009 and 2010, certain of our PRC subsidiaries were subject to CIT in accordance with the authorized taxation method pursuant to the applicable PRC tax regulations. None of the PRC subsidiaries were subject to authorized taxation method on CIT since 2011. Withholding taxes are mainly levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after January 1, 2008.

CIT

Our PRC CIT has been calculated at the applicable tax rate on our assessable profits for each of the three years ended December 31, 2011 and the six months ended June 30, 2012. The CIT rate applicable in the PRC is 25%.

Since 2011, all of our subsidiaries used the audited taxation method to calculate their CIT liabilities. In 2009, 2010 and 2011 and the six months ended June 30, 2012, we paid CIT of RMB120.2 million, RMB264.7 million, RMB443.3 million and RMB284.3 million (US$44.8 million), respectively, and we made provisions for CIT in the amount of RMB184.0 million, RMB274.9 million, RMB556.0 million and RMB229.2 million (US$36.1 million), respectively. See "Risks Factors — Risks Relating to our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our corporate income tax obligations."

LAT

Under PRC tax laws and regulations, our project companies in the PRC are subject to LAT on the appreciation value of their land and the improvements on the land. Under the audited taxation method, all income from the sale or transfer of state-owned land use rights, and buildings and their attached facilities in the PRC, is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by relevant tax laws. Certain exemptions are available for the sale of ordinary residential houses if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. Under the authorized taxation method, LAT liabilities are based on a fixed rate, which ranged from 1.5% to 4.5% of the proceeds from pre-sales of the properties, depending on the city in which the enterprise was located. Pursuant to the Notice on Strengthening the Administration of Land Appreciation Tax promulgated by the Henan Local Tax Bureau in June 2004, the amount of LAT payable in Henan could be calculated by using the authorized taxation method in addition to the audited taxation method. However, pursuant to the Circular on Specifying Several Measures Regarding Land Appreciation Tax issued by the Henan Local Tax Bureau in March 2010, as of May 2010, the authorized taxation method is no longer available to property developers in Henan. Instead, property developers in Henan must calculate LAT based on the audited taxation method only, with limited exceptions.

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

For 2009, 2010 and 2011 and the six months ended June 30, 2012, we estimated and made provisions for the full amount of LAT for which we were liable in accordance with the relevant PRC laws and regulations, and we paid accordingly each year based on the audited taxation method or the authorized taxation method, as applicable. For 2009, 2010 and 2011 and the six months ended June 30, 2012, we made LAT payments in the amount of RMB74.8 million, RMB143.8 million, RMB235.4 million and RMB148.7 million (US$23.4 million), respectively, and we made provisions for LAT in the amount of approximately RMB51.6 million, RMB226.8 million, RMB579.2 million and RMB196.0 million (US$30.9 million), respectively. Before disallowance of the authorized taxation method in May 2010, LAT liabilities for 17 of our subsidiaries were calculated using the authorized taxation method for the whole or part of this period, while our remaining subsidiaries adopted the audited taxation method. See "Risk Factors — Risks Relating to Our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations."

Withholding tax

Withholding taxes are levied on our subsidiaries in Hong Kong in respect of dividend distributions arising from profit of PRC subsidiaries earned after January 1, 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 12%.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests represents profit attributable to our minority shareholders.

Results of Operations

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

	For the year ended December 31,				For the six months ended June 30,		
	2009	2010	2011		2011	2012	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(RMB'000)	(US$'000)
Turnover	**2,739,831**	**4,516,351**	**6,638,354**	**1,044,916**	**2,529,121**	**3,025,421**	**476,220**
Cost of sales	(1,788,249)	(2,970,439)	(4,063,916)	(639,684)	(1,374,739)	(1,942,002)	(305,683)
Gross profit	**951,582**	**1,545,912**	**2,574,438**	**405,232**	**1,154,382**	**1,083,419**	**170,537**
Other revenue	41,964	33,356	71,419	11,242	29,491	62,641	9,860
Other net income/(loss)	21,541	27,532	(16,573)	(2,609)	(13,006)	(7,342)	(1,156)
Selling and marketing expenses	(113,285)	(143,900)	(162,385)	(25,560)	(71,744)	(93,439)	(14,708)
General and administrative expenses	(164,708)	(234,044)	(277,889)	(43,741)	(96,714)	(147,038)	(23,145)
Other operating (expenses)/ income	(19,292)	(8,062)	13,338	2,099	(9,719)	(3,646)	(574)
Profit from operations	**717,802**	**1,220,794**	**2,202,348**	**346,663**	**992,690**	**894,595**	**140,814**
Share of losses of associates	(2,831)	(2,224)	(4,162)	(655)	(1,535)	(1,405)	(221)
Share of losses of jointly controlled entities	—	(3,904)	(7,277)	(1,145)	(40,194)	(8,698)	(1,369)
Finance costs	(66,080)	(122,853)	(375,059)	(59,037)	(131,136)	(116,181)	(18,288)
Profit before change in fair value of investment properties and income tax	**648,891**	**1,091,813**	**1,815,850**	**285,826**	**819,825**	**768,311**	**120,936**
Net increase in fair value of investment properties	2,461	3,673	1,900	299	1,380	9,952	1,567
Profit before taxation	**651,352**	**1,095,486**	**1,817,750**	**286,125**	**821,205**	**778,263**	**122,503**
Income tax	(223,221)	(515,427)	(1,074,820)	(169,183)	(489,163)	(429,707)	(67,638)
Profit for the year/period	**428,131**	**580,059**	**742,930**	**116,942**	**332,042**	**348,556**	**54,865**
Attributable to:							
Equity shareholders of the Company	405,326	544,887	667,995	105,146	321,696	331,598	52,196
Non-controlling interests	22,805	35,172	74,935	11,795	10,346	16,958	2,669
Profit for the year/period	428,131	580,059	742,930	116,942	332,042	348,556	54,865

Comparison of six months ended June 30, 2012 to six months ended June 30, 2011

Turnover. Our turnover increased by 19.6% to RMB3,025.4 million (US$476.2 million) for the six months ended June 30, 2012 from RMB2,529.1 million for the six months ended June 30, 2011, primarily due to an increase in property sales to RMB3,014.5 million (US$474.5 million) for the six months ended June 30, 2012 from RMB2,511.6 million for the six months ended June 30, 2011.

- ***Property sales.*** Turnover from property sales increased by 20.0% to RMB3,014.5 million (US$474.5 million) for the six months ended June 30, 2012 from RMB2,511.6 million for the six months ended June 30, 2011. The increase was primarily due to a 98.3% increase in total GFA sold and recognized to 575,980 sq.m. for the six months ended June 30, 2012 from 290,481 sq.m.

for the six months ended June 30, 2011. The average selling price decreased by 39.5% to RMB5,234 per sq.m. for the six months ended June 30, 2012 from RMB8,646 per sq. m. for the six months ended June 30, 2011 as a result of a change in our product mix.

- ***Property leasing.*** Turnover from property leasing increased by 5.8% to RMB10.9 million (US$1.7 million) for the six months ended June 30, 2012 from RMB10.3 million for the six months ended June 30, 2011.

- ***Construction.*** Turnover from construction amounted to nil for the six months ended June 30, 2012 and RMB7.2 million for the six months ended June 30, 2011, primarily due to the completion of the construction contract with Henan Province Labor Union in 2011.

Cost of sales. Our cost of sales increased by 41.3% to RMB1,942.0 million (US$305.7 million) for the six months ended June 30, 2012 from RMB1,374.7 million for the six months ended June 30, 2011, primarily due to an increase in GFA sold and recognized.

Gross profit. As a result of the foregoing, our gross profit decreased by 6.2% to RMB1,083.4 million (US$170.5 million) for the six months ended June 30, 2012 from RMB1,154.4 million for the six months ended June 30, 2011, while our gross profit margin decreased to 35.8% for the six months ended June 30, 2012 from 45.6% for the six months ended June 30, 2011.

Other revenue. Our other revenue increased by 112.4% to RMB62.6 million (US$9.9 million) for the six months ended June 30, 2012 from RMB29.5 million for the six months ended June 30, 2011, primarily due to an increase in our interest income from advances to our jointly controlled entities, related parties and third parties.

Other net loss. Our other net loss decreased by 43.6% to RMB7.3 million (US$1.2 million) for the six months ended June 30, 2012 from RMB13.0 million for the six months ended June 30, 2011 primarily due to the exchange loss arising from loans denominated in foreign currencies, partially offset by the unrealized mark-to-market gain incurred by trading securities.

Selling and marketing expenses. Our selling and marketing expenses increased by 30.2% to RMB93.4 million (US$14.7 million) for the six months ended June 30, 2012 from RMB71.7 million for the six months ended June 30, 2011 primarily due to an increase in advertising and promotional expenses associated with our new projects.

General and administrative expenses. Our general and administrative expenses increased by 52.0% to RMB147.0 million (US$23.1 million) for the six months ended June 30, 2012 from RMB96.7 million for the six months ended June 30, 2011, primarily due to (i) the expenses incurred and payments made in connection with the consent solicitation completed in March 2012, and (ii) the expansion of our operations.

Profit from operations. As a result of the foregoing, our profit from operations decreased by 9.9% to RMB894.6 million (US$140.8 million) for the six months ended June 30, 2012 from RMB992.7 million for the six months ended June 30, 2011.

Share of losses of associates. Our share of losses of associates decreased by 8.5% to RMB1.4 million (US$0.2 million) for the six months ended June 30, 2012 from RMB1.5 million for the six months ended June 30, 2011. Our share of losses of associates primarily represented our share of losses on our investment in St. Andrews Golf Club (Zhengzhou) Company Limited.

Share of losses of jointly controlled entities. Our share of losses of jointly controlled entities decreased by 78.4% to RMB8.7 million (US$1.4 million) for the six months ended June 30, 2012 from RMB40.2 million for the six months ended June 30, 2011. Our share of losses of jointly controlled entities mainly represented losses of jointly controlled entities, net of operating profit from completed jointly controlled projects.

Finance costs. Our finance costs decreased by 11.4% to RMB116.2 million (US$18.3 million) for the six months ended June 30, 2012 from RMB131.1 million for the six months ended June 30, 2011, primarily due to a RMB53.1 million gain on the fair value of derivatives of our 2009 Convertible Bonds with Warrants, 2010 Notes and 2012 Notes.

Profit before change in fair value of investment properties and income tax. As a result of the foregoing, our profit before change in fair value of investment properties and income tax decreased by 6.3% to RMB768.3 million (US$120.9 million) for the six months ended June 30, 2012 from RMB819.8 million for the six months ended June 30, 2011.

Net increase in fair value of investment properties. We recorded a net increase of RMB10.0 million (US$1.6 million) for the six months ended June 30, 2012 and RMB1.4 million for the six months ended June 30, 2011.

Profit before taxation. As a result of the foregoing, our profit before taxation decreased by 5.2% to RMB778.3 million (US$122.5 million) for the six months ended June 30, 2012 from RMB821.2 million for the six months ended June 30, 2011.

Income tax. Our income tax decreased by 12.2% to RMB429.7 million (US$67.6 million) for the six months ended June 30, 2012 from RMB489.2 million for the six months ended June 30, 2011, primarily due to (i) a decrease in our profit before taxation and (ii) a decrease of our effective tax rate to 55.2% for the six months ended June 30, 2012 from 59.6% for the six months ended June 30, 2011, mainly attributable to a decrease in our profit margins on various projects.

Profit for the period. As a result of the foregoing, our profit for the period increased by 5.0% to RMB348.6 million (US$54.9 million) for the six months ended June 30, 2012 from RMB332.0 million for the six months ended June 30, 2011.

Profit attributable to non-controlling interests. As a result of the foregoing, our profit attributable to non-controlling interests increased by 63.9% to RMB17.0 million (US$2.7 million) for the six months ended June 30, 2012 from RMB10.3 million for the six months ended June 30, 2011.

Comparison of 2011 to 2010

Turnover. Our turnover increased by 47.0% to RMB6,638.4 million (US$1,044.9 million) in 2011 from RMB4,516.4 million in 2010, primarily due to a 50.5% increase in property sales to RMB6,607.5 million in 2011 from RMB4,391.7 million in 2010.

- ***Property sales***. Turnover from property sales increased by 50.5% to RMB6,607.5 million (US$1,040.1 million) in 2011 from RMB4,391.7 million in 2010 due to a 47.9% increase in average selling price to approximately RMB6,323 per sq.m. in 2011 from approximately RMB4,275 per sq.m. in 2010. The increase in average selling price was primarily due to an increase in the proportion of revenue attributable to higher-end apartment units in major cities in Henan in 2011 as compared to 2010. The total GFA sold and recognized remained stable in 2011 as compared to 2010.

- ***Property leasing***. Turnover from property leasing decreased by 6.0% to RMB23.6 million (US$3.7 million) in 2011 from RMB25.1 million in 2010, primarily due to a slight decrease in the occupancy rate of our commercial properties.

- ***Construction***. Turnover from construction decreased by 92.7% to RMB7.2 million (US$1.1 million) for 2011 from RMB99.5 million for 2010, primarily due to the near completion of the construction contract with Henan Province Labor Union as we recognize revenue derived from such construction contracts on a percentage-of-completion basis.

Cost of sales. Our cost of sales increased by 36.8% to RMB4,063.9 million (US$639.7 million) in 2011 from RMB2,970.4 million in 2010 primarily due to an increase in construction costs in 2011, including cost of labor and construction materials such as cement and an increase in the proportion of revenue attributable to higher-end apartment units in major cities in Henan with higher land costs in 2011 as compared to 2010.

Gross profit. As a result of the foregoing, our gross profit increased by 66.5% to RMB2,574.4 million (US$405.2 million) for 2011 from RMB1,545.9 million for 2010, while our gross profit margin increased to 38.8% for 2011 from 34.2% for 2010.

Other revenue. Our other revenue increased by 113.8% to RMB71.4 million (US$11.2 million) in 2011 from RMB33.4 million in 2010. This increase was primarily due to an increase in interest income from advances to our jointly controlled entities, related parties and third parties.

Other net (loss)/income. Our other net loss was RMB16.6 million (US$2.6 million) in 2011 compared to other net income of RMB27.5 million in 2010. This net loss in 2011 was primarily due to a net unrealized and realized loss on trading securities of RMB67.1 million as compared to a net gain on trading securities of RMB6.9 million in 2010, partially offset by a net exchange gain of RMB47.4 million, primarily arising from Renminbi-denominated dividend receivables from our PRC subsidiaries to our offshore subsidiaries, as compared to an exchange gain of RMB18.9 million in 2010.

Selling and marketing expenses. Our selling and marketing expenses increased by 12.8% to RMB162.4 million (US$25.6 million) in 2011 from RMB143.9 million in 2010. This increase was primarily due to an increase in advertising and promotional expenses associated with our expanding business operations, and the increased salaries, other benefits and commissions paid to our sales and marketing staff.

General and administrative expenses. Our general and administrative expenses increased by 18.7% to RMB277.9 million (US$43.7 million) in 2011 from RMB234.0 million in 2010, primarily due to an increase in salaries and other benefits paid to our administrative staff as well as an increase in depreciation of our property, plant and equipment.

Other operating income/(expenses). Other operating income was RMB13.3 million (US$2.1 million) in 2011 compared to other operating expenses of RMB8.1 million in 2010. Other operating income in 2011 was primarily due to the consulting fee we charged our jointly controlled entities for managing their property projects, partially offset by the trust management fee paid to Bridge Trust as trustee in relation to the Bridge-CCRE Trust I and Bridge-CCRE Trust II.

Profit from operations. As a result of the foregoing, our profit from operations increased by 80.4% to RMB2,202.3 million (US$346.7 million) in 2011 from RMB1,220.8 million in 2010.

Share of losses of associates. Our share of losses of associates increased by 90.9% to RMB4.2 million (US$0.7 million) in 2011 from RMB2.2 million in 2010. Our share of losses of associates primarily represented our share of loss for operating expenses incurred by St. Andrews Golf Club (Zhengzhou) Company Limited, one of our associates.

Share of losses of jointly controlled entities. Our share of losses of jointly controlled entities was RMB7.3 million (US$1.1 million) in 2011 as compared to RMB3.9 million in 2010, primarily due to an increase in the number of jointly controlled entities established in 2011 and late 2011 for operating expenses incurred in the early stages of property development before revenue was generated.

Finance costs. Our finance costs significantly increased to RMB375.1 million (US$59.0 million) in 2011 from RMB122.9 million in 2010. This increase was primarily due to the interest on the 2010 Notes in the amount of RMB243.1 million accrued for the full year of 2011 as compared to the amount of RMB48.9 million in 2010 since interest on the 2010 Notes only started to accrue from October 2010 for 2010, and a net increase in fair value of derivatives embedded to the 2009 Convertible Bonds with Warrants of RMB77.0 million in 2011 as compared to a net decrease of RMB9.5 million in 2010.

Profit before change in fair value of investment properties and income tax. As a result of the foregoing, our profit before change in fair value of investment properties and income tax increased by 66.3% to RMB1,815.9 million (US$285.8 million) in 2011 from RMB1,091.8 million in 2010.

Net increase in fair value of investment properties. We recorded a net increase of RMB1.9 million (US$0.3 million) in fair value of our investment properties in 2011, as compared to a net increase of RMB3.7 million in fair value of investment properties in 2010.

Profit before taxation. As a result of the foregoing, our profit before taxation increased by 65.9% to RMB1,817.8 million (US$286.1 million) for 2011 from RMB1,095.5 million for 2010.

Income tax. Income tax mainly comprises CIT, LAT and withholding tax payable on dividend declared by PRC enterprises to non-PRC resident enterprises. Our income tax increased by 108.5% to RMB1,074.8 million (US$169.2 million) in 2011 from RMB515.4 million in 2010. The increase in income tax over this period was primarily due to an increase in profit before taxation and an increase in LAT, primarily due to a higher proportion in 2011 of revenue attributable to higher-end apartment units in major cities in Henan and higher land costs.

Profit for the year. As a result of the foregoing, our profit for the year increased by 28.1% to RMB742.9 million (US$116.9 million) in 2011 as compared to RMB580.1 million in 2010.

Profit/(losses) attributable to non-controlling interests. As a result of the foregoing, our profit attributable to non-controlling interests increased by 112.8% to RMB74.9 million (US$11.8 million) in 2011 as compared to RMB35.2 million in 2010.

Comparison of 2010 to 2009

Turnover. Our turnover increased by 64.8% to RMB4,516.4 million in 2010 from RMB2,739.8 million in 2009, primarily due to a 65.1% increase in property sales to RMB4,391.7 million in 2010 from RMB2,659.9 million in 2009.

- ***Property sales***. Turnover from property sales increased by 65.1% to RMB4,391.7 million in 2010 from RMB2,659.9 million in 2009. This increase was primarily due to a 55.2% increase in total GFA sold and recognized to 1,027,276 sq.m. in 2010 from 662,067 sq.m. in 2009 and a 6.4% increase in average selling price to approximately RMB4,275 per sq.m. in 2010 from approximately RMB4,018 per sq.m. in 2009.

- ***Property leasing***. Turnover from property leasing increased 13.6% to RMB25.1 million in 2010 from RMB22.1 million in 2009, primarily due to an increase in rental income from one of our commercial properties.

- ***Construction***. Turnover from construction increased by 72.1% to RMB99.5 million in 2010 from RMB57.8 million in 2009, primarily due to our completing a greater percentage of the project under the construction contract with Henan Province Labor Union in 2010 as compared to 2009 as we recognize revenue derived from such construction contracts on a percentage-of-completion basis.

Cost of sales. Our cost of sales increased by 66.1% to RMB2,970.4 million in 2010 from RMB1,788.2 million in 2009, primarily due to an increase in the total GFA sold and recognized in 2010 as compared to that in 2009.

Gross profit. As a result of the foregoing, our gross profit increased by 62.5% to RMB1,545.9 million for 2010 from RMB951.6 million for 2009, while our gross profit margin decreased to 34.2% for 2010 from 34.7% for 2009.

Other revenue. Our other revenue decreased by 20.5% to RMB33.4 million in 2010 from RMB42.0 million in 2009. This was primarily due to a decrease in interest income from advance to a third party and a decrease in government grants received in 2010 as compared to 2009.

Other net income. Our other net income increased by 27.9% to RMB27.5 million in 2010 from RMB21.5 million in 2009. The increase was primarily due to a net exchange gain of RMB18.9 million in 2010 as compared to a net exchange loss of RMB0.3 million in 2009, and a net realized and unrealized gain on trading securities of RMB6.9 million in 2010 as compared to a loss of RMB0.3 million in 2009, partially offset by a decrease in net gain from the disposal of property, plant and equipment and a decrease in gain on disposal of a subsidiary.

Selling and marketing expenses. Our selling and marketing expenses increased by 27.0% to RMB143.9 million in 2010 from RMB113.3 million in 2009. This increase was primarily due to an increase in headcount, advertising and promotional expenses as well as in salaries, other benefits and commissions paid to our sales and marketing staff.

General and administrative expenses. Our general and administrative expenses increased by 42.1% to RMB234.0 million in 2010 from RMB164.7 million in 2009, primarily due to an increase in salaries and other benefits paid to our administrative staff as a result of our expansion.

Other operating expenses. Other operating expenses decreased by 58.0% to RMB8.1 million in 2010 from RMB19.3 million in 2009, primarily due to a provision of RMB5.4 million for the impairment of properties, plants and equipment in 2009.

Profit from operations. As a result of the foregoing, our profit from operations increased by 70.1% to RMB1,220.8 million for 2010 from RMB717.8 million for 2009.

Share of losses of associates. Our share of losses of associates decreased by 21.4% to RMB2.2 million in 2010 from RMB2.8 million in 2009. Our share of losses of associates primarily represented share of loss for operating expenses incurred by St. Andrews Golf Club (Zhengzhou) Company Limited, one of our associates.

Share of losses of jointly controlled entities. Our share of losses of jointly controlled entities was RMB3.9 million in 2010 as compared to nil in 2009, which mainly represented our share of losses from our investment in these entities for operating expenses incurred in the early stages of property development before revenue was generated. No such loss was incurred in 2009 as the jointly controlled entities were either established in 2010 or classified as "jointly controlled entities" for 2010 as a result of our disposal or deemed disposal of equity interest in these entities.

Finance costs. Our finance costs increased by 85.9% to RMB122.9 million in 2010 from RMB66.1 million in 2009, primarily due to an increase of RMB155.2 million in gross borrowings costs as a result of increased borrowings for additional projects, interest on the 2010 Notes and the 2009 Convertible Bonds with Warrants, partially offset by an increase of RMB90.2 million in the capitalization of borrowing costs.

Profit before change in fair value of investment properties and income tax. As a result of the foregoing, our profit before change in fair value of investment properties and income tax increased by 68.3% to RMB1,091.8 million in 2010 from RMB648.9 million in 2009.

Net increase in fair value of investment properties. We recorded a net increase of RMB3.7 million in fair value of our investment properties in 2010, as compared to a net increase of RMB2.5 million in fair value of our investment properties in 2009.

Profit before taxation. As a result of the foregoing, our profit before taxation increased by 68.2% to RMB1,095.5 million for 2010 from RMB651.4 million for 2009.

Income tax. Our income tax increased by 130.9% to RMB515.4 million in 2010 from RMB223.2 million in 2009, primarily due to an increase in revenue and a change in taxation computation method for LAT from the authorized taxation method to audited taxation method.

Profit for the year. As a result of the foregoing, our profit for the year increased by 35.5% to RMB580.1 million in 2010 as compared to RMB428.1 million in 2009.

Profit attributable to non-controlling interests. As a result of the foregoing, our profit attributable to non-controlling interests increased by 54.4% to RMB35.2 million in 2010 as compared to RMB22.8 million in 2009.

Liquidity and Capital Resources

Cash Flows

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

	For the year ended December 31,			For the six months ended June 30, 2012	
	2009	2010	2011		
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Net cash generated from/(used in) operating activities	15,005	1,812,752	343,211	(611,467)	(96,249)
Net cash used in investing activities	(108,711)	(2,694,719)	(862,725)	(542,554)	(85,401)
Net cash generated from financing activities	1,528,798	1,925,529	404,811	961,697	151,377
Net increase/(decrease) in cash and cash equivalents	1,435,092	1,043,562	(114,703)	(192,324)	(30,273)
Cash and cash equivalent at end of year/period	2,364,987	3,370,335	3,255,528	3,050,397	480,151

Cash Flows from Operating Activities

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

For the six months ended June 30, 2012, our net cash used in operating activities was RMB611.5 million. Our net cash used in operating activities for the six months ended June 30, 2012 consisted primarily of cash generated from operations before changes in working capital of RMB857.5 million, partially offset by a decrease in working capital of RMB1,033.2 million and PRC income tax paid of RMB435.8 million. Working capital for the six months ended June 30, 2012 decreased by RMB1,033.2 million (US$27.6 million), primarily due to an increase in trade and bills payables of RMB879.8 million, partially offset by an increase in trade and other receivables of RMB152.2 million, an increase in property for sale of RMB272.7 million, an increase in deposit and prepayment of RMB974.6 million, an increase in restricted bank balance of RMB115.3 million and a decrease in receipt in advance of RMB398.1 million.

In 2011, our net cash generated from operating activities was RMB343.2 million. Our net cash generated from operating activities for 2011 consisted primarily of cash generated from operations before changes in working capital of RMB2,175.8 million, partially offset by a decrease in working capital of RMB1,152.2 million and PRC income tax paid of RMB680.4 million. Working capital in 2011 decreased by RMB1,152.2 million, primarily due to an increase in deposits and prepayments of RMB2,717.7 million, an increase in restricted bank deposits of RMB116.5 million, an increase in properties for sale of RMB941.7 million and a decrease in receipts in advance of RMB355.5 million, partially offset by a decrease in trade and other receivables of RMB1,835.7 million and an increase in trade and other payables and accruals of RMB1,143.5 million.

In 2010, our net cash generated from operating activities was RMB1,812.8 million. Our net cash generated from operating activities for 2010 consisted primarily of cash generated from operations before changes in working capital of RMB1,201.1 million and an increase in working capital of RMB1,024.4 million, partially offset by PRC income tax paid of RMB412.7 million. Working capital in 2010 increased by RMB1,024.4 million, primarily due to an increase in receipts in advance of RMB1,684.5 million, an increase in trade and other payables and accruals of RMB394.8 million and a decrease in deposits and prepayments of RMB198.6 million, partially offset by an increase in properties for sale of RMB1,131.4 million and an increase in restricted bank deposits of RMB89.4 million.

In 2009, our net cash generated from operating activities was RMB15.0 million. Our net cash generated from operating activities for 2009 consisted primarily of cash generated from operations before changes in working capital of RMB680.2 million, partially offset by a decrease in working capital of RMB464.9

million and PRC income tax paid of RMB200.3 million. Working capital in 2009 decreased by RMB464.9 million, primarily due to an increase in deposits and prepayments of RMB802.4 million, an increase in properties for sale of RMB388.4 million and an increase in restricted bank deposits of RMB137.2 million, partially offset by an increase in receipts in advance of RMB822.9 million and an increase in trade and other payables and accruals of RMB80.1 million.

Cash Flows from Investing Activities

For the six months ended June 30, 2012, our net cash used in investing activities was RMB542.6 million. Our net cash used in investing activities for the six months ended June 30, 2012 primarily consisted of payment for purchases of property, plant and equipment of RMB342.6 million and repayment to jointly controlled entities of RMB204.5 million.

In 2011, our net cash used in investing activities was RMB862.7 million. Our net cash used in investing activities in 2011 primarily consisted of payment for capital injection in jointly controlled entities of RMB1,018.4 million, payment for purchase of property, plant and equipment of RMB456.8 million, and payment for purchase of trading securities of RMB200.0 million, partially offset by repayment from jointly controlled entities of RMB633.1 million and proceeds from disposal of trading securities of RMB216.0 million.

In 2010, our net cash used in investing activities was RMB2,694.7 million. Our net cash used in investing activities in 2010 primarily consisted of acquisition of additional interest in subsidiaries, jointly controlled entities and associates of RMB1,178.9 million, advances to joint controlled entities and associates of RMB1,124.6 million, payment for purchase of property, plant and equipment of RMB212.9 million, partially offset by net cash received upon disposal of a subsidiary of RMB0.2 million, interest received of RMB32.0 million and proceeds from disposals of property, plant and equipment of RMB0.7 million.

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

Cash Flows from Financing Activities

For the six months ended June 30, 2012, our net cash generated from financing activities was RMB961.7 million. The net cash generated from financing activities for the six months ended June 30, 2012 primarily consisted of proceeds from new bank loans of RMB452.8 million, proceeds from new other loans of RMB1,335.6 million, proceeds from the 2012 Notes of RMB866.0 million, partially offset by repayment of bank loans of RMB424.7 million, interest paid of RMB247.1 million, repayment of other loan of RMB864.4 million and dividends paid of RMB199.3 million.

In 2011, our net cash generated from financing activities was RMB404.8 million. The net cash generated from financing activities in 2011 primarily consisted of proceeds from new other loans of RMB1,947.6 million, proceeds from new bank loans of RMB1,237.1 million, net proceeds from our 2011 Rights Issue of RMB596.5 million and capital contribution from non-controlling interests of RMB101.2 million, partially offset by repayment of bank loans of RMB1,526.7 million, repayment of other loans of RMB1,212.3 million, interest paid of RMB554.4 million, dividends paid of RMB162.6 million and dividends paid to non-controlling interests of RMB21.5 million.

In 2010, our net cash generated from financing activities was RMB1,925.5 million. The net cash generated from financing activities in 2010 primarily consisted of proceeds from new bank loans of RMB1,248.8 million, net proceeds from the 2010 Notes of RMB1,971.8 million, proceeds from new other loans of RMB930.5 million and capital contribution from non-controlling interests of RMB46.0 million, partially offset by repayment of bank loans of RMB1,045.3 million, repayment of other loans of RMB781.1 million, interest paid of RMB303.1 million, dividends paid of RMB118.0 million and dividends paid to non-controlling interests of RMB24.0 million.

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

Capital Resources

Property developments require substantial capital investment for land acquisitions and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments by using a combination of sources, from internal funds, borrowings from banks and other parties and funds raised from capital markets, such as our IPO in 2008, the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2011 Rights Issue and the 2012 Notes. Our financing methods may vary from project to project and are subject to the limitations imposed by PRC regulations and monetary policies.

Cash and Cash Equivalents

Our cash and cash equivalents amounted to RMB3,050.4 million (US$480.2 million), as of June 30, 2012, which excludes restricted cash of RMB768.4 million (US$120.9 million).

Borrowings

Our borrowings primarily consist of loans from commercial banks and other financial institutions as well as debt offerings in the capital markets. As of June 30, 2012, we had aggregate borrowings (including bank loans, other loans, convertible bonds and senior notes) of RMB6,801.8 million (US$1,070.6 million), a substantial portion of which was denominated in Renminbi, RMB567.4 million (US$89.3 million) of which was denominated in H.K. dollars, RMB1,873.9 million (US$295.0 million) of which was denominated in U.S. dollars and RMB863.4 million (US$135.9 million) of which was denominated in Singapore dollars. The 2009 Convertible Bonds with Warrants, the 2010 Notes and the 2012 Notes are secured by equity pledges over some of our subsidiaries. Our project-specific onshore borrowings are typically secured by our properties under development and our land use rights, and we usually repay such borrowings using a portion of our pre-sale proceeds from the specific project.

Our borrowings have a range of maturities from less than one year to more than five years. As of June 30, 2012, the interest rate for our borrowings ranged from 2.6% to 14.0% per annum.

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

	As of December 31,			As of June 30, 2012	
	2009	2010	2011		
	(RMB'000) (Restated)	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Bank loans	**1,772,816**	**1,916,275**	**1,626,660**	**1,654,800**	**260,476**
Within one year or on demand	1,114,194	1,423,859	1,110,660	1,225,840	192,955
After one year but within two years	628,622	324,416	376,000	270,360	42,556
After two years but within five years	30,000	168,000	140,000	158,600	24,965
Other loans	**468,520**	**617,880**	**1,353,170**	**1,842,350**	**289,997**
Within one year or on demand	95,640	168,010	1,245,470	1,714,350	269,849
After one year but within two years	119,010	297,870	107,700	81,000	12,750
After two years but within five years	253,870	152,000	—	47,000	7,398
Convertible bonds	**551,288**	**552,209**	**549,665**	**567,377**	**89,308**
Within one year or on demand	—	—	549,665	567,377	89,308
More than one year but within two years	—	552,209	—	—	—
More than two years but within five years	551,288	—	—	—	—
2010 Notes	**—**	**1,928,806**	**1,849,885**	**1,873,855**	**294,956**
Within one year or on demand	—	1,928,806	1,849,885	—	—
More than one year but within two years	—	—	—	—	—
More than two years but within five years	—	—	—	1,873,855	294,956
2012 Notes	**—**	**—**	**—**	**863,375**	**135,900**
Within one year or one demand	—	—	—	—	—
More than one year but within two years	—	—	—	—	—
More than two years but within five years	—	—	—	863,375	135,900
Total	**2,792,624**	**5,015,170**	**5,379,380**	**6,801,757**	**1,070,637**

Subsequent to June 30, 2012, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general corporate purposes. For a description of our material indebtedness, see "Description of Other Material Indebtedness."

2009 Convertible Bonds with Warrants

On August 31, 2009, we issued convertible bonds with the principal amount of HK$765.0 million due 2014 and 76,097,561 warrants. The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is August 31, 2014. The convertible bonds can be converted to our shares at HK$3.1 per share, subject to anti-dilutive adjustment. Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to August 31, 2014 at the exercise price of HK$4.1 per share, subject to anti-dilutive adjustment. As a result of our rights issue on June 28, 2011, the conversion price of the convertible bonds and the exercise price of the warrants were adjusted from HK$3.1 to HK$2.984 and from HK$4.1 to HK$3.947, respectively. In November 2012, we redeemed a principal amount of HK$78 million of the 2009 Convertible Bonds with Warrants pursuant to one investor's exercise of its early redemption right. The terms of the 2009 Convertible Bonds with Warrants were at the same time amended to remove such early redemption right. The same investor also surrendered 7,758,967 Warrants to us at nil consideration. For more details of our 2009 Convertible Bonds with Warrants, see the section entitled "Description of Other Material Indebtedness — 2009 Convertible Bonds with Warrants."

2010 Notes

On October 20, 2010, we issued secured senior notes in the principal amount of US$300 million due 2015. The senior notes are interest-bearing at 12.25% per annum and payable semi-annually in arrears. The maturity date of the senior notes is October 20, 2015. We breached certain provisions of the 2010 Indenture as a result of lapses in our covenant compliance procedures. As a result of these breaches being outstanding as of December 31, 2011, in accordance with HKFRS, the liability component of the 2010 Notes in the amount of RMB1,849.9 million was re-classified as current liabilities in our consolidated financial statements as of and for the year ended December 31, 2011. Holders of the 2010 Notes have waived these defaults pursuant to a consent solicitation completed in March 2012. As of

June 30, 2012, the liability component of the 2010 Notes has been reclassified as non-current liabilities. For more details of our 2010 Notes, see the section entitled "Description of Other Material Indebtedness — 2010 Notes."

2012 Notes

On April 18, 2012, we issued secured senior notes in the principal amount of S$175 million due 2016. The senior notes are interest-bearing at 10.75% per annum and payable semi-annually in arrears. The maturity date of the senior notes is April 18, 2016. For more details of our 2012 Notes, see the section entitled "Description of Other Material Indebtedness — 2012 Notes."

Rights Issue

On June 28, 2011, we issued 428,000,000 shares of HK$0.1 each by way of a rights issue in the proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK$1.71 per rights share. These newly issued shares rank equally in all respects with the existing shares. The net proceeds from the rights issue amounted to approximately HK$718.2 million.

Capital Commitments

As of June 30, 2012, our contractual obligations in connection with our property development activities, other than loans and borrowings, amounted to RMB1,254.3 million (US$197.4 million), primarily arising from contracted construction fees or other capital commitments for future property developments. The following tables set forth our contractual obligations, other than loans and borrowings, as of the dates indicated:

	As of December 31,			As of June 30, 2012	
	2009	2010	2011		
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Capital commitments outstanding not provided for:					
Authorized but not contracted for	6,690,626	11,805,438	14,921,680	15,255,858	2,401,363
Contracted but not provided for	1,758,903	1,957,446	1,277,718	1,254,338	197,440
Total capital commitments	**8,449,529**	**13,762,884**	**16,199,398**	**16,510,196**	**2,598,803**

	As of December 31,			As of June 30, 2012	
	2009	2010	2011		
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Properties under development undertaken by jointly controlled entities attributable to the Group					
Authorized but not contracted for	—	—	916,866	853,560	134,355
Contracted but not provided for	—	—	185,658	242,653	38,195
Total	**—**	**—**	**1,102,524**	**1,096,213**	**172,550**

Contingent Liabilities

As of June 30, 2012, we provided guarantees to PRC banks for loans with an aggregate principal amount of RMB4,697.9 million (US$739.5 million), in respect of mortgages provided by the banks to purchasers of the properties we developed and sold. Our guarantees are issued from the dates of grant of the relevant mortgages and released upon issuance of property ownership certificates or after the full repayment of the underlying mortgages by the purchasers.

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

Off-balance Sheet Commitments and Arrangements

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

Market Risks

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

Commodities Risk

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

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. Our indebtednesses generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Upward fluctuations in interest rates will increase the interest cost of new and existing loans. We currently do not hedge our interest rate risk but may do so in the future.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and profits. The PBOC published benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2009, 2010 and 2011 and June 30, 2012 were 5.31%, 5.81%, 6.56% and 6.00%, respectively.

Foreign Exchange Rate Risk

We conduct our business principally in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. The majority of our foreign currency transactions and balances are denominated in H.K. dollars, Singapore dollars and U.S. dollars. Fluctuations in the value of Renminbi to these foreign currencies may adversely affect our cash flows, revenue, earnings and financial position. For example, if the value of Renminbi appreciates, we would record foreign exchange losses on bank balances and other assets we maintain in non-Renminbi currencies. See "Risk Factors — Risks Relating to the PRC — Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly Singapore dollars, may have a material adverse effect on us and on your investment." In August 2012, we entered into the 2012 ISDA Master Agreement with Nomura, as the swap counterparty, to manage our foreign exchange rate exposure arising from the issuance of the Singapore dollar-denominated 2012 Notes. The term of the swap was for four years.

Inflation or Deflation Risk

In recent years, China has not experienced significant inflation or deflation, and thus inflation or deflation has not had a material impact on our results of operations. According to the National Bureau of Statistics of China, the change in Consumer Price Index in China was -0.7%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively.

Non-GAAP Financial Measures

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

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

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

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

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

	For the year ended December 31,			For the six months ended June 30, 2012	
	2009	2010	2011		
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Profit before taxation	651,352	1,095,486	1,817,750	778,263	122,503
Adjustments for					
interest income	(39,009)	(31,999)	(69,251)	(61,230)	(9,638)
depreciation and amortization	12,011	15,111	22,119	15,239	2,399
finance costs	66,080	122,853	375,059	116,181	18,288
EBITDA	**690,434**	**1,201,451**	**2,145,677**	**848,453**	**133,552**

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or period or as an indicator of operating performance or any other standard measure under HKFRS or U.S. GAAP. Our definition of EBITDA does not account for taxes, interest income, depreciation and amortization and finance costs. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. Investors should also note that EBITDA as presented herein may be calculated differently from consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

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

The Economy of China

Overview

The economy of China has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP increased from approximately RMB21,631.4 billion in 2006 to approximately RMB47,156.4 billion in 2011 at a CAGR of approximately 16.9%. The table below sets forth the GDP data for China for the years indicated:

	2006	2007	2008	2009	2010	2011	CAGR (2006–2011)
Nominal GDP (in RMB billions). . . .	21,631.4	26,581.0	31,404.5	34,090.3	40,151.3	47,156.4	16.9%

Source: National Bureau of Statistics of China

In 2011, China's per capita disposable income of urban households has increased to approximately RMB21,810, representing an 14.1% increase compared to 2010. The table below sets forth the per capita disposable annual income for urban households for China for the years indicated:

	2006	2007	2008	2009	2010	2011	CAGR (2006–2011)
Per capita disposable income of urban households (in RMB) .	11,759	13,786	15,781	17,175	19,109	21,810	13.2%

Source: National Bureau of Statistics of China

The Property Market in China

Overview

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

	2006	2007	2008	2009	2010	2011	CAGR (2006–2011)
Urban population (in millions)	582.9	606.3	624.0	645.1	669.8	690.8	3.5%
Total population (in millions)	1,314.5	1,321.3	1,328.0	1,334.7	1,339.7	1,347.4	0.5%
Urbanization rate (%). . .	44.3%	45.9%	47.0%	48.3%	50.0%	51.3%	—
Per capita annual disposable income of urban households (in RMB)	11,759.5	13,785.8	15,780.8	11,175.0	19,109.4	21,809.8	13.1%

Source: National Bureau of Statistics of China

Investment in Property Development

Investment in property development in China increased from approximately RMB1,942.3 billion in 2006 to approximately RMB6,179.7 billion in 2011, representing a CAGR of approximately 26.0%. The table below sets forth investment in property development in China for the years indicated:

	2006	2007	2008	2009	2010	2011	CAGR (2006–2011)
Investment in property development (in RMB billions). . . .	1,942.3	2,528.9	3,120.3	3,624.2	4,825.9	6,179.7	26.0%

Source: National Bureau of Statistics of China

Property Price and Supply

The average price per sq.m. for the property market in China was approximately RMB5,357.1 in 2011, compared to approximately RMB3,366.8 in 2006, representing a CAGR of 9.7% over the period. Supply of properties in China also increased from approximately 558.3 million sq.m. in 2006 to approximately 926.2 million sq.m. in 2011, representing a CAGR of 10.7%.

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

	2006	2007	2008	2009	2010	2011	CAGR (2006–2011)
Total GFA completed (in million sq.m.)	558.3	606.1	665.4	726.8	787.4	926.2	10.7%
Total GFA sold (in million sq.m.)	618.6	773.5	659.7	947.6	1,047.6	1,093.7	12.1%
GFA of residential properties sold (in million sq.m.)	554.2	701.4	592.8	861.8	933.8	965.3	11.7%
Average price of properties (in RMB per sq.m.) . .	3,366.8	3,863.9	3,800.0	4,681.0	5,032.0	5,357.1	9.7%
Average price of residential properties (in RMB per sq.m) . . .	3,119.3	3,645.2	3,576.0	4,459.0	4,725.0	4,993.2	9.9%

Source: National Bureau of Statistics of China

The Economy and the Property Market in Henan

Henan is located in central China covering approximately 167,000 sq.km. and spanning 18 prefecture-level cities, 21 county-level cities and 88 counties. It is a geographic hub for road transportation and had a total highway mileage of approximately 5,196 kilometers at the end of 2011. In addition, the PRC Government plans to develop high speed railroad networks connecting Zhengzhou to Xi'an, Wuhan and Beijing. According to the National Bureau of Statistics of China, Henan was the third most populous province in China and ranked fifth in terms of nominal GDP. Henan's nominal GDP increased to approximately RMB2,693.1 billion in 2011 from approximately RMB1,236.3 billion in 2006, representing a CAGR of 16.8% which is on par with China's overall nominal GDP CAGR of 16.9% over the same period. The table below sets out selected economic statistics of Henan for the periods indicated:

	2006	2007	2008	2009	2010	2011	CAGR (2006–2011)
Nominal GDP (RMB in billions). . . .	1,236.3	1,501.2	1,801.9	1,948.0	2,309.2	2,693.1	16.8%
As a percentage of the GDP of the PRC (%) .	5.7	5.6	5.7	5.7	5.8	5.7	—
Real GDP growth rate (%)	14.4	14.6	12.1	10.9	12.5	11.9	—
Per capita GDP (RMB) .	13,172	16,012	19,181	20,597	24,446	28,661	16.8%

Source: Henan Provincial Bureau of Statistics, China Statistical Yearbook

Historically, Henan had a low rate of urbanization. According to the national and Henan-specific statistical data published, as of the year end of 2011, the urbanization rate of the province was approximately 40.6%, lower than the national average of 51.3%. In January 2010, the National Development and Reform Commission promulgated the "Plan for Promoting the Rise of Central China" (促進中部地區崛起規劃) (the "Plan") with a view to further developing the economy of six provinces in Central China, including Henan. We believe the unique geographic location of Henan in Central China has allowed it to significantly benefit from the Plan. Construction of public transportation and city clusters and expansion of logistics networks are driving the economic development in Henan. Certain major cities in Henan have shown a rising consumption and purchasing power of residents.

The table below sets forth details of the urban population of Henan from 2006 to 2011:

	2006	2007	2008	2009	2010	2011	CAGR (2006–2011)
Urban population (in million)	31.9	33.9	35.7	37.6	40.5	42.6	5.9%
Total population (in million)	98.2	98.7	99.2	99.7	104.4	104.9	1.3%
Urbanization rate (%). . .	32.5	34.3	36.0	37.7	38.8	40.6	—
Urban population growth rate (%)	6.5	6.3	5.4	5.2	7.8	5.0	—
Per capita disposable income of urban households (RMB) . . .	9,810.3	11,477.1	13,231.1	14,371.6	15,930.3	18,194.8	13.1%

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

The table below sets forth the growth rate of the urban population of Henan and the urban population of the PRC from 2006 to 2011:

	Urban population		Urban population growth rate	
Year	**National**	**Henan**	**National**	**Henan**
2006	582.9	31.9	3.7%	6.5%
2007	606.3	33.9	4.0%	6.3%
2008	624.0	35.7	2.9%	5.4%
2009	645.1	37.6	3.4%	5.2%
2010	669.8	40.5	3.8%	7.8%
2011	690.8	42.6	3.1%	5.0%
Average	**—**	**—**	**3.5%**	**6.0%**

Sources: CEIC, Henan Statistical Yearbook

According to the Henan Statistical Yearbook, a total GFA of 55.3 million sq.m. of commodity properties was completed in Henan in 2011, representing an increase of approximately 24.8% over 2010. For the same year, a total of 62.8 million sq.m. of commodity properties was sold, of which 57.3 million sq.m. was residential properties. The total sales revenue attributable to sales of commodity properties in 2011 amounted to approximately RMB219.7 billion, of which approximately RMB178.8 billion was from the sales of residential properties. The average price per sq.m. of commodity and residential properties in Henan in 2011 was approximately RMB3,501 and RMB3,123, respectively, representing an increase of approximately 15.1% and 9.3% over 2010. The table below sets forth selected data on the property market in Henan for the periods indicated:

	2006	2007	2008	2009	2010	2011	CAGR (2006–2011)
GFA of commodity properties completed (sq.m. in millions) . . .	16.8	27.9	30.3	34.0	44.3	55.3	26.9%
GFA of residential properties completed (sq.m. in millions) . . .	14.1	23.4	26.0	29.9	38.5	48.1	27.9%
GFA of commodity properties sold (sq.m. in millions) . . .	24.1	39.3	31.9	43.4	54.5	62.8	21.1%
GFA of residential properties sold (sq.m. in millions) . . .	21.9	35.7	29.4	40.2	50.9	57.3	21.2%
Percent of total GFA sold in the PRC (%)	3.9	5.1	4.8	4.6	5.2	5.7	—
Sales revenue from commodity properties (RMB in billions). . . .	48.5	88.5	74.6	115.6	165.9	219.7	35.3%
Sales revenue from residential properties (RMB in billions). . . .	40.4	74.3	62.9	100.5	145.5	178.8	34.7%

Source: Henan Statistical Yearbook

The tables below set forth data on the average selling prices of commodity properties and residential properties in the 18 prefecture-level cities in Henan for the period between 2006 and 2011:

	Average price of commodity properties (RMB per sq.m.)						
City/Province	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**CAGR (2006–2011)**
Zhengzhou	2,888	3,574	3,929	4,294	4,957	5,696	14.6%
Kaifeng	1,886	2,379	2,066	2,376	2,813	3,085	10.3%
Luoyang.	1,960	2,363	2,591	2,741	3,170	3,595	12.9%
Pingdingshan	1,549	1,643	1,863	2,027	2,410	2,881	13.2%
Anyang	1,675	1,636	1,969	1,936	2,197	2,765	10.5%
Hebi	1,306	1,621	1,751	1,941	2,436	2,794	16.4%
Xinxiang	1,463	1,551	1,778	1,898	2,267	2,663	12.7%
Jiaozuo	1,218	1,801	2,366	2,052	2,380	2,814	18.2%
Puyang	1,523	1,646	2,065	2,095	2,258	2,720	12.3%
Xuchang	1,482	1,679	1,933	2,334	2,540	2,974	15.0%
Luohe	1,466	1,752	1,618	1,976	2,135	2,278	9.2%
Sanmenxia	1,562	1,314	1,405	2,329	2,196	2,520	10.0%
Nanyang	1,424	1,546	2,038	1,943	2,081	2,630	13.1%
Shangqiu	1,459	1,896	1,504	1,850	2,059	2,897	14.7%
Xinyang.	1,658	1,700	1,681	1,893	2,047	2,698	10.2%
Zhoukou	1,197	1,284	1,436	1,914	1,842	2,350	14.4%
Zhumadian	1,364	1,357	1,419	1,580	1,745	2,306	11.1%
Jiyuan	1,319	1,718	1,952	2,101	2,518	2,717	15.5%

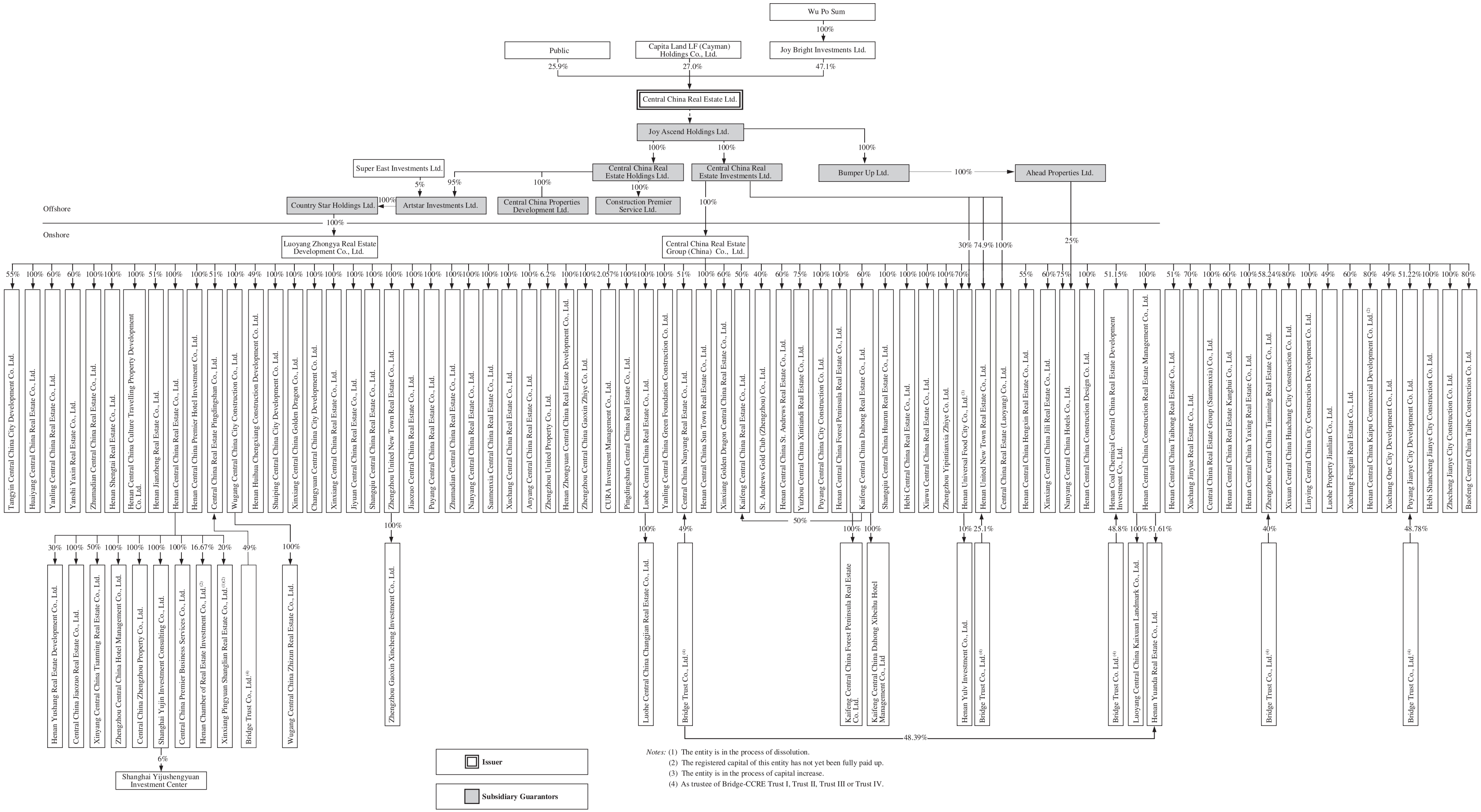
Source: Henan Statistical Yearbooks 2006 to 2012

	Average price of residential properties (RMB per sq.m.)						
City/Province	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**CAGR (2006–2011)**
Zhengzhou	2,691	3,328	3,598	4,054	4,596	4,692	11.8%
Kaifeng	1,542	2,151	1,937	2,279	2,762	2,986	14.1%
Luoyang.	1,800	2,197	2,471	2,547	3,025	3,429	13.8%
Pingdingshan	1,472	1,446	1,702	1,861	2,269	2,786	13.6%
Anyang	1,446	1,519	1,690	1,887	2,112	2,661	13.0%
Hebi	1,221	1,451	1,652	1,906	2,345	2,701	17.2%
Xinxiang	1,212	1,391	1,563	1,824	2,098	2,559	16.1%
Jiaozuo	1,059	1,669	2,201	1,959	2,354	2,775	21.2%
Puyang	1,465	1,671	2,003	2,066	2,228	2,683	12.9%
Xuchang	1,324	1,609	1,794	2,183	2,471	2,809	16.2%
Luohe	1,221	1,479	1,600	1,922	2,068	2,235	12.8%
Sanmenxia	1,134	1,221	1,412	2,099	2,123	2,442	16.6%
Nanyang	1,320	1,421	1,736	1,743	1,996	2,575	14.3%
Shangqiu	1,390	1,531	1,500	1,741	2,000	2,732	14.5%
Xinyang.	1,370	1,486	1,488	1,707	1,938	2,569	13.4%
Zhoukou	1,093	1,217	1,371	1,860	1,815	2,310	16.1%
Zhumadian	1,318	1,313	1,404	1,529	1,651	2,138	10.2%
Jiyuan	1,059	1,462	1,772	1,990	2,434	2,642	20.1%

Source: Henan Statistical Yearbooks 2006 to 2012

CORPORATE STRUCTURE

This is a simplified version of the corporate structure chart of our Group as of the date of this offering memorandum.



Notes: (1) The entity is in the process of dissolution.
(2) The registered capital of this entity has not yet been fully paid up.
(3) The entity is in the process of capital increase.
(4) As trustee of Bridge-CCRE Trust I, Trust II, Trust III or Trust IV.

Overview

We are the leading residential property developer in Henan, according to the China Real Estate Top 10 Research Team, based on a number of factors including scale, profitability, financial stability and growth potential. See "— Awards and Certificates." With an operating history of 20 years in property development in Henan, we have established a well-recognized brand in Henan's residential property market and completed an aggregate GFA of approximately 7.7 million sq.m. between 1992 and June 30, 2012. Leveraging our experience and brand reputation, we have expanded into 26 cities across Henan, including all 18 prefecture-level cities and eight county-level cities, as of June 30, 2012.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan's strong economic growth and significant increase in urbanization. Henan is one of China's most populous province by number of registered residents according to the National Bureau of Statistics of China, with registered residents of approximately 104.9 million as of December 31, 2011. From 2006 through 2011, Henan's GDP grew from RMB1,236.3 billion to RMB2,693.1 billion, representing a CAGR of 16.9%. During the same period, Henan's urbanization rate also grew significantly by 8.1%, from 32.5% to 40.6%, which was yet at a level considerably below the national urbanization rate of 51.3% in 2011, leaving room for further growth in urbanization in Henan.

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

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. CapitaLand's shareholding in our Company is approximately 27.0% as of the date of this offering memorandum. CapitaLand has guided us in developing international best practices in risk and internal controls and helped us keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisitions. CapitaLand also performs regular internal control audits, contributing to our corporate governance efforts. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces pursuant to a deed of non-competition undertaking by CapitaLand China and CapitaLand Cayman. See "Our Relationship with CapitaLand."

Since our inception and up until June 30, 2012, we had completed an aggregate GFA of approximately 7.7 million sq.m. (including GFA which had been sold). As of June 30, 2012, we had a total of 62 projects in Henan in various stages of development, including an aggregate planned GFA of approximately 3.3 million sq.m. of properties under development and an aggregate planned GFA of approximately 7.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates. As of June 30, 2012, we had also entered into land grant contracts or land grant confirmation agreements in respect of development sites with an aggregate planned GFA of approximately 3.9 million sq.m. for which we had not yet obtained land use rights certificates.

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

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our turnover was RMB2,739.8 million, RMB4,516.4 million, RMB6,638.4 million (US$1,044.9 million) and RMB3,025.4 million (US$476.2 million), respectively, and our net profit attributable to equity holders of our Company was RMB405.3 million, RMB544.9 million, RMB668.0 million (US$106.1 million) and RMB331.6 million (US$52.2 million), respectively.

In June 2008, we completed our initial public offering on the Hong Kong Stock Exchange. As of January 18, 2013, our market capitalization was approximately HK$7.7 billion (US$988.2 million), based on the closing price of our shares.

Recent Developments

Subsequent to June 30, 2012, we have acquired the following land parcels:

Date of acquisition[1]	Location	Attributable interest	Site area	Planned total GFA	Consideration	Type[2]
			(sq.m.)	(sq.m.)	(RMB in millions)	
July 2012	Xuchang	49%	105,357	323,994	172.7	R
July 2012	Nanyang	51%	89,729	388,026	312.3	R, C
July 2012	Xinxiang	100%	121,761	281,800	226.5	R, C
October 2012	Wugang	100%	108,598	166,400	81.5	R, C
November 2012.	Jiaozuo	100%	55,928	102,415	41.9	R
November 2012.	Pingdingshan	80%	85,189	111,050	86.5	R
November 2012.	Xuchang	60%	255,489	198,300	170.4	R, C
November 2012.	Shangqiu	100%	149,350	290,619	106.8	R, C
November 2012.	Shangjie	100%	117,973	181,900	126.5	R
November 2012.	Luohe	100%	49,805	124,800	57.2	R
December 2012	Shangjie	100%	251,749	396,505	270.0	R
December 2012	Shangjie	100%	62,187	97,945	66.7	R
Total			1,453,115	2,663,754	1,719.0	

Notes:

(1) Refers to the date of entering into the land grant confirmation agreements.

(2) Property type includes Commercial "C," Residential "R" and Hotel "H."

Our Competitive Strengths

We are the leading residential property developer in Henan

We are the leading residential property developer in Henan, according to the China Real Estate Top 10 Research Team, based on a number of factors including scale, profitability, financial stability and growth potential. See "— Awards and Certificates". With an operating history of 20 years in property development in Henan, we have established a well-recognized brand in Henan's residential property market and completed an aggregate GFA of approximately 7.7 million sq.m. between 1992 and June 30, 2012. Leveraging our experience and well recognized brand name, we have expanded into 26 cities across Henan, including all 18 prefecture-level cities and eight county-level cities, as of June 30, 2012.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan's strong economic growth and significant increase in urbanization. Henan is one of China's most populous province by number of registered residents according to the National Bureau of Statistics of China, with registered residents of approximately 104.9 million as of December 31, 2011. From 2006 through 2011, Henan's GDP grew from RMB1,236.3 billion to RMB2,693.1 billion, representing a CAGR of 16.9%. During the same period, Henan's urbanization rate also grew significantly by 8.1%, from 32.5% to 40.6%, which was yet at a level considerably below the national urbanization rate of 51.3% in 2011, leaving room for further growth in urbanization in Henan. With an average property price of RMB3,501 per sq.m. in 2011 according to the Henan Statistical Yearbook 2012, Henan's property market is still at a relatively early stage of development with significant long term growth potential. We believe our established strong presence and leading position in Henan will position us well to capitalize on Henan's growth.

We benefit from strong relationships with CapitaLand and other business partners

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

In addition, we have built up strong working relationships with established domestic and international design firms, construction companies, building material suppliers, and property management companies. We also cooperate with renowned international hotel management companies such as Starwood Hotels & Resorts Worldwide, Inc. and the InterContinental Hotels Group to build up our hotel management capabilities and enhance the operations of our hotel projects. These business partners, who cooperate with us in areas ranging from design and construction to property management and hotel operation, help reinforce our strength in delivering high-quality products and services.

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

Having engaged in property development in Henan for 20 years, we have established "建業" *(Jian Ye)* as a well-recognized brand for good quality and innovative design in Henan's residential property market. We completed an aggregate GFA of approximately 7.7 million sq.m. between 1992 and June 30, 2012. We have been recognized as one of the "Top 10 Real Estate Enterprises by Brand Value in Midwestern China" according to the China Real Estate Top 10 Research Team since 2007. We have built our brand primarily through offering quality products and services that we believe are among the best available in the relevant markets. We select and maintain good relationships with established architecture and design firms, construction companies and suppliers. We emphasize workmanship quality, innovative interior design and integrated landscaping to create desirable living environments. Moreover, we develop properties with designs and concepts tailored to meet the needs of our target customers, as evidenced by Forest Peninsula, U-Town and Code One City. We also provide an array of value-added services through our membership program, the Jianye Club, which builds customer loyalty and further enhances our brand image.

We have received numerous awards for our product quality and design innovation, such as the Asian Habitation Model Project Award given to the Forest Peninsula (Zhengzhou) project and the designation of the Landmark (Zhengzhou) as one of China's Most Reputable Projects at the Eighth China International Real Estate & Architectural Technology Fair in 2006. We believe our experience and ability to develop high-quality properties, as well as the recognition accorded to us by the property industry and buyers alike, enable us to sell our properties at a premium.

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

We undertake extensive market research to identify land in cities with significant development and growth potential. Currently our strategic presence encompasses 26 cities in Henan, which include all 18 prefecture-level cities. Our selection criteria include GDP, population, disposable income, and other factors. Most of our land reserves are strategically located in town centers with convenient transportation access.

We believe we have been able to maintain a relatively low land cost base. As of June 30, 2012, the average acquisition cost of our land reserves, which include land for which land use rights certificates are pending, was approximately RMB674 per sq.m. (US$106 per sq.m.) of GFA, based on our internal records. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our land acquisition cost recognized in cost of sales in respect of properties completed and sold accounted for approximately 12.2%, 12.1%, 13.2% and 9.7% of our turnover from the sale of properties, respectively.

As of June 30, 2012, we had an aggregate completed GFA remaining unsold of approximately 0.3 million sq.m., an aggregate planned GFA of approximately 3.3 million sq.m. of properties under development and an aggregate planned GFA of approximately 7.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates. As of June 30, 2012, we had also entered into land grant contracts or land grant confirmation agreements in respect of development sites with an aggregate planned GFA of approximately 3.9 million sq.m. for which we had not yet obtained land use rights certificates. Our current land reserves provide a solid foundation for our future growth. With our current land reserves, we believe we have a sufficient land bank for development for approximately five years.

We have access to diverse funding sources

We have access to the international capital markets through equity and debt offerings. We completed our IPO and listed our shares on the Hong Kong Stock Exchange in 2008, raising gross proceeds of approximately HK$1,375.0 million. Subsequent to our IPO, we completed an offering of our 2009 Convertible Bonds with Warrants with a principal amount of HK$765 million, an offering of senior notes in the principal amount of US$300 million in October 2010, a rights issue of 428 million shares raising HK$718.2 million in June 2011 and an offering of senior notes in the principal amount of S$175 million in April 2012. In addition, we have established close relationships with domestic trust companies, offshore banks and major PRC commercial banks, which have enabled us to obtain trust financing and new bank loans. We believe that our ability to access different funding sources provides us with flexibility to fund our operations and enhances our liquidity.

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

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

Mr. Wu Po Sum, our chairman and a founder of our Group, has extensive experience in property development in Henan and is a prominent real estate entrepreneur in China. He was recognized as one of the "Most Influential Persons in China's Real Estate Industry for the Last 30 Years" in Boao Real Estate Forum in June 2008 and an "Annual Leader of China's Real Estate Industry" by 2010 China New Vision of Real Estate Summit in January 2010. In addition, our board of directors comprises experienced executive, non-executive and independent non-executive members including, among others, two appointees from CapitaLand, one appointee from FountainVest and Mr. Wang Shi, chairman of China Vanke Co., Ltd., one of the largest residential property developer in China in terms of contracted sales in 2011. We have been able to capitalize on the collective expertise of our management team so that we can develop and sell properties that appeal to our target customers across Henan. We believe that we have benefited, and will continue to benefit, from our management's extensive experience and knowledge of the PRC property market.

Our Business Strategies

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

We intend to continue to execute our provincial strategy to focus on Henan's property market. We intend to further solidify our leading position in Henan's residential property market through investments in land acquisitions in our key markets and continue to utilize our local knowledge and market reputation to expand our business in Henan province, both in cities where we already have developments and in others where we do not yet have developments. We plan to continue to focus on developing medium- to large-scale residential communities in major prefecture-level cities. We also intend to continue our expansion in newly urbanized town centers of county-level cities in Henan and gradually expand to thirty to forty new county-level cities in Henan. These will allow us to capture the economic growth in Henan and to geographically broaden our revenue base.

Optimize our land reserves

To grow our business, we intend to optimize our land reserves through prudent financial and project planning and selective acquisitions, with a view to maintaining a land bank optimally structured to meet customer demand and capture growth potentials of the regional markets. We intend to continue our strategic acquisition of development sites for future development, either directly through land acquisitions or indirectly by cooperating with business partners or acquiring a stake in project companies. Meanwhile, we seek to remain disciplined in our capital commitments and incurrence of additional debt in order to maintain a balance between operation scale and prudent financial management. We plan to continue to base our land acquisition decisions on thorough research and analysis of a project's expected return in the context of forecasted property market trends and economic trends in the relevant city. At the same time, we intend to maximize our operational efficiency by taking into account the geographical distribution of our land sites, seeking to achieve an optimal order of development schedules by accelerating in select cities such as Zhengzhou. We also seek to diversify our land reserves while continuing our focus on residential property development.

Further enhance our brand recognition in Henan

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

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

Finally, we have started to develop eco-friendly products. We have created a task force within our Company to continue working on green issues. We also set specific targets for sustainable development of buildings in the next several years according to the Evaluation Standards for Green Buildings (綠色建築評價標準) promulgated by the Ministry of Construction in 2006. We believe these measures will make our projects more appealing to our target customers and further strengthen our brand in the medium to long term.

Further improve our operational efficiency and profitability

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

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

Overview of our Property Developments

As of June 30, 2012, we had a total of 62 property projects in various stages of development, all of which are located in Henan. We classify our property projects, for which we have obtained the relevant land use rights certificates, into the following three categories:

- **Completed property developments**. A development is considered "completed" when a joint inspection report is signed by our project company, the contractors, the design firms, the surveying company and the supervisory company of the relevant development and the certificate of completion is issued.

- **Properties under development**. A property is considered as being "under development" immediately after the issuance of a construction permit but prior to the issuance of the completion certificate.

- **Properties held for future development**. A property is considered as being "held for future development" when we have obtained land use rights certificates but have not yet received the construction permit.

Our property projects are developed in multiple phases and each phase may be in a different stage of development. As of June 30, 2012, our completed property developments had an aggregate GFA of approximately 7.7 million sq.m. (including GFA which had been sold). Our properties under development and properties held for future development (for which we had obtained land use rights certificates) had a total planned GFA of approximately 3.3 million sq.m. and 7.4 million sq.m., respectively.

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

<table>
<tr><td>Saleable GFA
• Internal floor areas allocated to rental units/properties for sale
• GFA held for investment only
• "Fixed asset" areas</td><td colspan="2">Non-Saleable GFA
• Clubhouses
• Schools
• Other ancillary facilities not for sale</td></tr>
<tr><td colspan="3">TOTAL GFA</td></tr>
<tr><td>Total Completed GFA</td><td>Total Planned GFA under development*</td><td>Total Planned GFA held for future development*</td></tr>
</table>

* Applicable only to properties that have not been completed.

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

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

Our Property Projects

Our property projects are located in cities across Henan. The following table sets forth the information of our completed properties with unsold GFA, properties under development and properties for future development as of June 30, 2012 for which we have obtained the relevant land use rights certificates:

		Land Bank							
Project name[1]	Property Type[2]	Total GFA as of June 30, 2012[3]	Completed GFA[4] Remaining Unsold	GFA Under Development[5]	GFA Under Planning[6]	GFA Pending Grant of Land Use Right[7]	Construction Commencement Date[8]	Construction Completion Date[8]	Interest Attributable to us
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)			(%)
Zhengzhou									
U-Town V	C	66	66	—	—	—	Sep-2009	Mar-2012	100%
U-Town VI	C	153,021	—	153,021	—	—	Sep-2011	Dec-2012	75%
U-Town VII.	R	249	249	—	—	—	Dec-2010	Jun-2011	100%
Landmark	H	65,436	—	65,436	—	—	Jan-2007	Dec-2012	100%
Jianye Square North	R	44,484	—	—	44,484	—	Jun-2013	Dec-2014	100%
Code One City	R	1,644	1,644	—	—	—	May-2010	Jun-2011	100%
Code International	R	174	174	—	—	—	Mar-2009	Jun-2012	100%
Forest Peninsula (Shangjie)	R	121,307	417	55,406	65,484	—	Aug-2008	Nov-2013	100%
Shangdulu Project	C	161,248	—	161,248	—	—	May-2012	Mar-2013	100%
Shanghui Building Project.	C	95,758	—	95,758	—	—	Mar-2012	—	30%
St. Andrews Project	R	850,000	—	—	850,000	—	May-2013	Dec-2019	60%
Champagne Garden.	R	1,671	1,671	—	—	—	Apr-2008	Mar-2010	100%
Forest Peninsula	R	2,871	2,871	—	—	—	Aug-2004	Jun-2010	100%
Code Two City.	R	250,178	—	131,305	118,873	—	Mar-2012	Nov-2014	100%
Tianzhu	R	389,573	—	—	—	389,573	Nov-2012	Apr-2016	50%
Jianzhen Eastern Centre	C	274,216	—	274,216	—	—	May-2012	Jun-2013	51%
Yipin Tianxia.	R	543,400	—	—	—	543,400	—	—	—
Zhengzhou Subtotal.		**2,955,296**	**7,092**	**936,390**	**1,078,841**	**932,973**	**—**	**—**	**—**
Luoyang									
Golf Garden	R	85,260	17,544	—	67,716	—	Nov-2006	Jul-2014	100%
Code One City	R	128,686	22,790	105,896	—	—	May-2009	Nov-2012	100%
Huayang Square	R	649,266	—	456,531	192,735	—	Apr-2008	Dec-2014	95%
Commercial Street Project.	C	202,450	—	202,450	—	—	Nov-2011	Aug-2013	100%
Forest Peninsula	R	2,608	2,608	—	—	—	Dec-2004	May-2008	100%
Sweet Scented Osmanthus Garden	R	638,174	—	—	638,174	—	—	—	100%
Luoyang Subtotal		**1,706,444**	**42,942**	**764,877**	**898,625**	**—**	**—**	**—**	**—**
Xinyang									
Forest Peninsula	R	15,562	15,562	—	—	—	Jul-2007	Apr-2012	50%
Nanwan Fish Farm Project	R	86,921	—	51,498	35,423	—	May-2012	Dec-2012	50%
Nanwan Yanwei Island Project	R	32,961	—	—	32,961	—	May-2013	Dec-2016	50%
Xinyang Subtotal		**135,443**	**15,562**	**51,498**	**68,383**	**—**	**—**	**—**	**—**
Luohe									
Forest Peninsula	R	3,356	3,356	—	—	—	Jul-2006	Nov-2010	100%
Moco New World (Luohe)	R	282,300	—	71,525	210,775	—	Apr-2012	Dec-2018	49%
Code One City	R	468,226	20,238	105,490	342,498	—	May-2010	Apr-2017	100%
Four Point Hotel	H	40,441	—	40,441	—	—	Dec-2010	Jun-2013	100%
Luohe Subtotal		**794,323**	**23,594**	**217,456**	**553,273**	**—**	**—**	**—**	**—**
Kaifeng									
Forest Peninsula	R	748,789	95,094	50,414	603,281	—	Apr-2008	Aug-2016	60%
Jianye City Garden.	R	22,215	22,215	—	—	—	Nov-2007	Dec-2008	60%
Xibei Lake Wetland	H	12,837	—	—	12,837	—	Dec-2012	Oct-2015	60%
Water System.	R	970,145	9,383	—	79,893	880,868	Dec-2010	Sep-2019	80%
Kaifeng Subtotal		**1,753,986**	**126,692**	**50,414**	**696,011**	**880,868**	**—**	**—**	**—**
Shangqiu									
Sweet Scented Osmanthus Garden	R	106	106	—	—	—	Sep-2006	Dec-2010	100%
U-Town	R	164,463	16,428	—	148,035	—	Apr-2010	Jun-2014	100%
Shangqiu Subtotal.	**—**	**164,569**	**16,534**	**—**	**148,035**	**—**	**—**	**—**	**—**
Zhoukou									
Forest Peninsula	R	427,734	5,879	67,774	354,081	—	Jun-2009	Jun-2016	100%
Sweet Scented Osmanthus Garden (Huaiyang) .	R	204,300	—	—	—	204,300	Nov-2012	Jul-2016	100%
Zhoukou Subtotal		**632,034**	**5,879**	**67,774**	**354,081**	**204,300**	**—**	**—**	**—**
Jiaozuo									
Forest Peninsula	R	41,907	2,855	—	39,052	—	Nov-2006	Sep-2014	100%
Code One City	R	205,853	—	99,653	106,200	—	Apr-2011	Mar-2014	100%
Forest Peninsula (Xiuwu)	R	168,354	—	66,314	102,040	—	Jun-2012	Mar-2016	100%
Jiaozuo Subtotal.		**416,114**	**2,855**	**165,967**	**247,292**	**—**	**—**	**—**	**—**

Project name[1]	Property Type[2]	Land Bank: Total GFA as of June 30, 2012[3]	Land Bank: Completed GFA[4] Remaining Unsold	Land Bank: GFA Under Development[5]	Land Bank: GFA Under Planning[6]	GFA Pending Grant of Land Use Right[7]	Construction Commencement Date[8]	Construction Completion Date[8]	Interest Attributable to us
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)			(%)
Xinxiang									
Forest Peninsula	R	35,316	35,316	—	—	—	Feb-2009	Jun-2012	60%
Code One City	R	768,979	—	369,395	399,584	—	Sep-2010	May-2019	100%
U-Town	R	393,993	—	—	393,993	—	Nov-2012	Sep-2017	60%
Xinxiang Subtotal		**1,198,288**	**35,316**	**369,395**	**793,577**	**—**	**—**	**—**	**—**
Puyang									
Jianye City	R	247,934	657	96,620	150,657	—	Jan-2007	Mar-2015	100%
Code One City	R	861,500	—	—	—	861,500	Sep-2012	Dec-2020	100%
Sweet Scented Osmanthus Garden	R	207,700	—	—	—	207,700	Jan-2013	Dec-2015	100%
Puyang Subtotal		**1,317,134**	**657**	**96,620**	**150,657**	**1,069,200**	**—**	**—**	**—**
Pingdingshan									
Sweet Scented Osmanthus Garden	R	200,158	10,774	75,111	114,273	—	Mar-2011	Aug-2015	51%
Forest Peninsula (Wugang)	R	443,075	35,380	—	343,395	64,300	Sep-2011	Nov-2015	100%
Pingdingshan Subtotal		**643,232**	**46,154**	**75,111**	**457,667**	**64,300**	**—**	**—**	**—**
Nanyang									
Forest Peninsula	R	569,452	3,797	95,818	469,837	—	Apr-2011	Nov-2016	51%
Holiday INN	H	122,186	—	49,771	72,415	—	Apr-2011	Jul-2012	75%
Nanyang Subtotal		**691,638**	**3,797**	**145,589**	**542,252**	**—**	**—**	**—**	**—**
Zhumadian									
Eighteen Cities	R	829,916	—	—	829,916	—	May-2012	May-2016	100%
Forest Peninsula (Suiping)	R	264,530	—	—	—	264,530	Nov-2012	Sep-2017	100%
Zhumadian Subtotal		**1,094,446**	**—**	**—**	**829,916**	**264,530**	**—**	**—**	**—**
Hebi									
Forest Peninsula	R	31,179	668	30,511	—	—	Feb-2010	Dec-2012	100%
Xuchang									
Forest Peninsula	R	194,043	404	97,204	96,435	—	Apr-2011	Apr-2017	70%
Anyang									
Forest Peninsula	R	131,065	179	16,698	—	114,188	May-2010	Sep-2014	100%
Forest Peninsula (Tangyin)	R	300,600	—	—	—	300,600	—	—	—
Anyang Subtotal		**431,665**	**179**	**16,698**	**—**	**414,788**	**—**	**—**	**—**
Jiyuan									
Code One City	R	303,773	1,743	158,415	143,615	—	May-2010	Oct-2016	100%
	C	4,658	4,658	—	—	—	Jan-2007	Dec-2008	100%
		308,431	**6,401**	**158,415**	**143,615**	**—**	**—**	**—**	**—**
Sanmenxia									
Forest Peninsula	R	—	—	—	—	—	Aug-2008	Jun-2009	100%
Code One City	R	445,504	—	91,213	323,891	30,400	Jan-2012	Oct-2016	100%
Sanmenxia Subtotal		**445,504**	**—**	**91,213**	**323,891**	**30,400**	**—**	**—**	**—**
Total		**14,913,770**	**334,726**	**3,335,131**	**7,382,553**	**3,861,359**	**—**	**—**	**—**

Notes:

(1) Some project names are not final and are subject to change.
(2) Property Type includes Commercial "C," Residential "R" and Hotel "H."
(3) Figures do not include completed GFA already sold.
(4) "Completed GFA" is based on figures provided in the certificates of completion.
(5) "GFA Under Development" is based on our internal records and estimates.
(6) "GFA Under Planning" is based on our internal records and estimates.
(7) "GFA Pending Grant of Land Use Right" is based on our internal records and estimates.
(8) All future dates are expected dates of construction commencement or completion.

The following table sets forth the breakdown of our land bank (including land pending land use rights certificates) by city as of June 30, 2012:

City	Completed GFA Remaining Unsold	GFA Under Development	GFA Under Planning	GFA Under Planning Pending Land Use Right	Total GFA	Percentage of total GFA
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Zhengzhou	7,092	936,390	1,078,841	932,973	2,955,296	19.8
Luoyang	42,942	764,877	898,625	—	1,706,444	11.4
Xinyang	15,562	51,498	68,383	—	135,443	0.9
Luohe	23,594	217,456	553,273	—	794,323	5.3
Kaifeng	126,692	50,414	696,011	880,868	1,753,986	11.8
Shangqiu	16,534	—	148,035	—	164,569	1.1
Zhoukou	5,879	67,774	354,081	204,300	632,034	4.2
Jiaozuo	2,855	165,967	247,292	—	416,114	2.8
Xinxiang	35,316	369,395	793,577	—	1,198,288	8.0
Puyang	657	96,620	150,657	1,069,200	1,317,134	8.8
Pingdingshan	46,154	75,111	457,667	64,300	643,232	4.3
Nanyang	3,797	145,589	542,252	—	691,638	4.6
Zhumadian	—	—	829,916	264,530	1,094,446	7.3
Hebi	668	30,511	—	—	31,179	0.2
Xuchang	404	97,204	96,435	—	194,043	1.3
Anyang	179	16,698	—	414,788	431,665	2.9
Jiyuan	6,401	158,415	143,615	—	308,431	2.1
Sanmenxia	—	91,213	323,891	30,400	445,504	3.0
Total	**334,726**	**3,335,131**	**7,382,553**	**3,861,359**	**14,913,770**	**100.0**

The following table sets forth the breakdown of our land bank (including land pending land use rights certificates) by property type as of June 30, 2012:

Type	Total GFA	Percent of total GFA
	(sq.m.)	(%)
Residential	13,781,453	92.4
Commercial	891,417	6.0
Hotel and others	240,900	1.6
Total	**14,913,700**	**100.0**

The following table sets forth the breakdown of our land bank by development phase as of June 30, 2012:

Development phase	Total GFA	Percent of total GFA
	(sq.m.)	(%)
Completed remaining unsold	334,726	2.2
Under development	3,335,131	22.4
Pending for development	7,382,553	49.5
Pending grant of land use right	3,861,359	25.9
Total	**14,913,770**	**100.0**

Key Product Lines

We have developed three principal product lines: Forest Peninsula, U-Town and Code One City. Our Forest Peninsula projects target customers in the high-end segment and feature streams, lakes, causeways, sidewalks and trees to create a "forest" or "lakeside" theme. These projects mostly consist of townhouses, low-rise apartment buildings, mid-rise apartment buildings, retail units and ancillary facilities. Our U-Town projects consist of mixed-use developments, retail units, office buildings and residential apartments. Code One City projects consist of residential projects with a focus on innovative design with an art deco theme. As of June 30, 2012, we had 31 projects in various stages of development (including completed projects) falling within the Forest Peninsula, U-Town and Code One City lines.

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

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

Property Development Process

We summarize below the core elements of our typical project development process for our properties. We adopt a systematic operational approach beginning with planning, design and construction to pre-sale, sale and after-sale services.

Site selection and land acquisition	Certificates, permits and licenses	Financing, project planning and design	Construction work, procurement and quality control	Pre-sale and sales	After-sales services
• site identification/ evaluation/ selection • feasibility study • environmental impact assessment • public tender, auction or listing-for-sale and execution of land use rights grant contract or land use rights transfer agreement • payment of land premium/ transfer consideration	• land use rights certificate • construction land planning permit • construction works planning permit • permit for commencement of construction work • pre-sale permit	• financing • in-depth market analysis and project positioning • master plan design, construction design and drawings	• construction contractor selection • construction supervision	• pre-sale permit application • sales and sales management • delivery of properties	• mortgage and registration assistance • handling of complaints • establishment and management of customer database

Site selection

Site selection is a fundamental step in our property development process. Our investment and development center is responsible for identifying and evaluating sites for prospective property development. When selecting sites for our development projects, we usually consider a number of key factors, including but not limited to:

- geographical location of the development sites, for example, surrounding environment and amenities, proximity and accessibility to city centers or business districts;
- property market conditions in the vicinity of the development site;
- local urban planning and specifications;
- infrastructure available or to be made available by the local government;
- estimated cost, investment and financial return;
- special governmental requirements for the development of the relevant site; and
- applicable zoning regulations and preferential government policies.

Our investment and development center works closely with our sales and marketing center to assess the overall market positioning of a site and the sales potential in the market. Once we plan to acquire a piece of land, we prepare a feasibility report for approval by our strategic and investment committee on behalf of the Board.

Land acquisition

Prior to July 2002, land use rights could be obtained through a land use rights grant contract executed between the property development enterprise and the local government authority. Since July 1, 2002, the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) issued by the MLR require that land use rights for industrial, commercial, tourism or entertainment use or for commodity property development in China be granted by the PRC government through public tender, auction or listing-for-sale. On September 28, 2007, the MLR issued the Regulations on the Grant of State-owned Land Use Rights for Construction through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), effective November 1, 2007, which provide that (i) land for industrial, commercial, tourism or entertainment use or for commodity housing development shall be granted by means of public tender, auction or listing-for-sale; (ii) no land use rights certificates shall be issued before the land premium has been fully paid up in accordance with the land use rights grant contract; and (iii) the land use rights certificates shall not be issued separately according to the proportion of the payment of the land premium. Regulations do not prohibit us from paying the land premium by installments if such arrangement is stipulated under the relevant land use rights grant contract. In March 2010, the MLR issued a circular imposing more stringent requirements on the payment of land premium by property developers. The circular stipulates that at least 50% of land premium should be paid within one month after signing a land grant contract and the balance should be fully paid within one year after signing the land grant contract. The implementation of the regulation requires property developers to maintain a higher level of working capital.

As of June 30, 2012, we had obtained land use rights for property projects with an aggregate completed GFA of approximately 7.7 million sq.m. (including GFA which had been sold). We obtained the land use rights of seven parcels of land prior to July 1, 2002 through land use rights grant contracts entered into with the Department of Land and Resources of Henan Province. Grantees of land use rights pursuant to public tender, auction or listing-for-sale may dispose of the land use rights granted to them in private sales, subject to the terms and conditions of the relevant land use rights grant contracts and the relevant laws and regulations. Therefore, to the extent permitted by law, we may choose to acquire land in the secondary market through negotiated transfers in addition to acquiring land by way of public tender, auction or listing-for-sale processes. We acquired the land use rights of three parcels of land by acquiring companies which already possessed those land use rights. When opportunities arise, we will also consider obtaining land use rights from third parties through co-development arrangements to increase our land reserves.

As of June 30, 2012, we had land with an aggregate planned GFA of approximately 3.3 million sq.m. under development and an aggregate planned GFA of approximately 7.4 million sq.m. held for future development for which we had obtained the relevant land use rights certificates. In addition, as of June 30, 2012, we had entered into land use rights grant contracts or land grant confirmation agreements in respect of development sites with an aggregate planned GFA of approximately 3.9 million sq.m. for which we have applied, or are in the process of applying, for land use rights certificates.

Certificates, permits and licenses

Once we have obtained the rights to develop a parcel of land, we begin applying for the various permits and licenses that we need in order to begin construction and sale of our properties. If the land use right is acquired by way of grant, the land use rights grant contract will be a pre-condition to applications for the following certificates, permits and licenses:

- **land use rights certificate**. The state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights;
- **construction land planning permit**. The construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China;
- **construction works planning permit**. The construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China;
- **construction permit**. The construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; and
- **pre-sale permit**. The commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties.

A property developer is allowed to commence construction of a property development upon obtaining the permit for commencement of construction work which will only be issued after the land use rights certificate, the construction land planning permit and the construction works planning permit (together with the permit for commencement of construction work, collectively known as the "four certificates") are obtained.

Financing

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We finance the acquisition of land reserves from internal funds, while our property development costs, including construction costs and additional financing for existing projects, are typically financed by internal funds and project loans from PRC banks. In the past, we have also financed some of our property developments using trust arrangements and lease-back arrangements with a put option. The following summarizes our main financing methods for our projects:

- ***Internal Funds from Business Operations***. Our internal funds primarily comprise proceeds from the sale and pre-sale of properties and rental income. We receive pre-sale proceeds when we enter into contracts to sell properties prior to their completion, and those proceeds must be used for the construction of the particular projects which has been pre-sold. Under relevant PRC regulations, we may engage in such pre-selling activities subject to satisfaction of certain requirements. See "— Property Development Process — Pre-sale" in this section. We typically receive an initial payment of at least 5% of the purchase price at the time of the execution of the pre-sale contracts and the balance within 45 days thereafter, by which time the customer is typically required to have obtained a bank mortgage.

- ***Funds Raised from Capital Markets***. We completed our IPO in 2008, raising gross proceeds of approximately HK$1,375.0 million. Subsequent to our IPO, we issued the 2009 Convertible Bonds with Warrants in August 2009, with a principal amount of HK$765 million. In August 2010, we issued the 2010 Notes with a principal amount of US$300 million. In June 2011, we completed a rights issue of 428 million shares of HK$0.1 each, raising net proceeds of approximately HK$718.2 million. In April 2012, we issued the 2012 Notes in a principal amount of S$175 million. We used the proceeds to fund new and existing projects, to repay existing indebtedness and for general corporate purposes.

- ***Borrowings from Banks and Other Parties***. As of June 30, 2012, our outstanding bank borrowings amounted to approximately RMB1,654.8 million (US$260.5 million), of which RMB1,612.8 million (US$253.9 million) was secured. In addition, we borrowed term loans from the real estate trusts that we have existing relationships with or investments in. As of June 30, 2012, RMB1,257.6 million (US$197.9 million) remained outstanding under these loans. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property.

In the future, we expect to continue funding our projects by using a combination of sources, including the proceeds of this offering, internally generated cash, bank borrowings and funds raised from capital markets from time to time. As of June 30, 2012, the total contracted capital commitment of our projects amounted to approximately RMB1,254.3 million (US$197.4 million). For details of the capital commitment we have made relating to our projects as of June 30, 2012, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Commitments."

We believe we have maintained good business relationships with major commercial banks in China. In 2002, we were recognized as an "AAA Credit Level Customer" by the Henan branch of the Agricultural Bank of China and were recognized as a "Henan Head Office Key Customer" by China Construction Bank Corporation. In 2006, we entered into a strategic cooperation agreement with the Henan branch of Bank of China Limited pursuant to which, among other things, the bank will display promotional materials for our newly launched property projects within their branch network and assist in the marketing of our properties. In turn, we will provide support for the bank's promotion of its housing mortgage services to purchasers of our properties. In 2006, we were also recognized as an "Excellent Credit Customer in the Banking Industry in Henan" (河南省銀行業信用優良客戶) by the Henan Bank Association.

The PRC government has implemented a number of measures to prevent the PRC economy from overheating from time to time. PBOC increased the reserve requirement ratio for commercial banks several times between 2006 and 2008 to curtail the overheating of the property sector. The reserve requirement refers to the amount of funds that banks must hold in reserve with PBOC against deposits made by their customers. After the commencement of the global economic slowdown in the second half of 2008, the PRC government adopted measures intended to stimulate economic development, including lowering benchmark lending rates and the reserve requirement ratios for commercial banks. However, PBOC increased the benchmark one-year lending rate and the reserve requirement ratios several times since 2010. In 2012, PBOC decreased both the one-year lending rate and the reserve requirement ratios twice. Increases in the bank reserve requirement ratios may negatively impact the amount of funds available to commercial banks in China to lend to businesses, including us. The benchmark one-year lending rate is currently 6.00% and the current reserve requirement ratio ranges from 16.5% to 20.0%. We cannot assure you that PBOC will not further raise lending rates or reserve requirement ratios in the future, or that our business, financial condition and results of operations would not be adversely affected as a result of these adjustments. The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and our ability to obtain financing from commercial banks may be materially and adversely affected.

Project planning and design

Our product research and development department is responsible for the research and development of our property projects, for implementing systematic procedures for our property development and for the standardization of our products. This department provides standardized procedures for the design and construction of our projects with the aim of producing designs that can be reproduced in the different cities in which we operate. We believe that systematization and standardization of our projects help to control the quality, timing, and most importantly the cost of our projects.

Our product design department is responsible for monitoring the progress and quality of the architectural design and interior design of our property developments. Our product design department also works closely with our construction management department and sales and marketing center and generally considers their recommendations regarding product mix, project locations and market conditions.

We outsource the design work for our projects to third-party design firms and real estate consultants to help design various aspects of our projects, including master planning, architectural design, landscape design and interior design. In recent years we have engaged local and international design firms to design the master plans for our projects. We have also entered into strategic cooperation agreements with reputable design firms to ensure priority service in the design of the construction plans for our projects.

Construction work, procurement and quality control

We utilize a centralized procurement system to enhance our bargaining power with our suppliers and contractors, thereby reducing our construction and raw material costs. We do not maintain an in-house construction team; instead, our construction work is outsourced to third party construction companies, which are selected through a tender process for each property project. We generally hire more than one contractor for each of our projects. The construction companies are selected by our tender and procurement department which considers, among other things, the reputation of the contractors and the price quoted by the contractors. We conduct detailed due diligence work on the contractors during the bidding process before offering construction contracts to them. We typically examine their track record, industry reputation, qualification certificates, management and quality control systems and other information that are required as part of the bidding process to evaluate the suitability of the contractors who submit a bid for our construction contracts. These contractors typically have had relationships of one to three years with us.

Our standard construction contracts typically provide for an agreed price payable by us based on the reference prices of the relevant materials, equipment and components announced every quarter by the local PRC government authority. The reference prices may be adjusted at completion of the construction according to the then latest reference prices. We may also need to pay additional amounts to the contractors in excess of the agreed cost in certain circumstances, such as costs resulting from changes in designs during construction. Equipment and construction materials needed for our construction work are generally procured by our contractors except for specified materials, including elevators, windows, doors and water pipes which are centrally procured through our tender and procurement department. These contractors may, at their option, employ sub-contractors to assist in providing the services, but the contractors remain responsible to us for any act or negligence of sub-contractors. The construction contracts contain warranties from the contractors in respect of the quality and timely completion of the construction. In the event of any delay or poor work quality, the contractor may be required to pay pre-agreed damages as stipulated in the construction contract. We require our contractors to comply with PRC laws and regulations governing the quality of construction projects, as well as our own standards and specifications stipulated in the construction contracts. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. In addition to engaging third-party contractors, we enter into strategic cooperation agreements with selected contractors. These agreements provide that we give preference to the contractors who are party to such agreements, provided that they provide terms and conditions similar to other contractors. We require that contractors meet certain minimum thresholds for performance track record and credit background before adding them to our list of preferred contractors. We currently have reached such agreements with Henan Second Construction and Engineering Company Limited, Zhejiang Zhongtian Construction Group and China Construction Seventh Construction Bureau. We plan to enter into further cooperation agreements with two additional contractors in the future.

Our construction supervision department is responsible for overseeing the quality and progress of the construction work. We also engage independent supervisory companies to conduct quality and safety control checks on all projects. In an effort to ensure the quality of the services rendered by the contractors, our construction contracts generally provide for progressive payments throughout the construction process and we generally retain 5% of the total construction costs for a pre-agreed period of time after the construction is completed to secure any claim we may have due to any potential construction defects. Upon the expiry of the two-year retention period, the balance of the retention amount is paid to the contractor. During the past five years, we have not experienced any circumstances where the retention amount was less than the amount we needed to pay to rectify construction defects. During the past five years, we have not had any disputes with any of our major contractors which, individually or in the aggregate, had or would have a material adverse effect on our business and results of operations.

Under PRC law, construction companies bear primary civil liability for personal injuries, accidents and deaths arising out of their construction work if such personal injuries, accidents and death are caused by the construction companies. The owner of the property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property under construction may also bear civil liability for personal injuries, accidents and death if such injuries are due to the fault of such owner. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe we will generally be able to defend ourselves as the property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred on our project sites during the past five years. We are not responsible for any labor problems our contractors might have. As to our risk in relation to environmental, social and safety problems due to noncompliance with PRC laws by the contractors, we may be held responsible for such problems but our construction contracts provide that we may seek indemnification from the contractors for any resulting damages. To help ensure construction safety on our project sites and the compliance with PRC laws and regulations, including environmental, social and safety regulations, we have provided a set of standards and specifications in our construction contracts for construction workers to comply with during the construction process. We also engage independent supervisory companies to conduct quality and safety control checks on our projects.

Pre-sale

We aim to pre-sell properties before the completion of their construction. Under the Administrative Measures on the Pre-sale of Urban Commercial Housing (城市商品房預售管理辦法) (the "Pre-Sale Measures") and the PRC Urban Real Estate Administration Law (中華人民共和國城市房地產管理理法), as amended in 2004 and 2007, respectively, we must comply with the following conditions before the pre-sale of a particular property can commence:

- the land premium must have been fully paid and the relevant land use rights certificates must have been obtained;
- the construction works planning permit and the permit for commencement of construction must have been obtained;
- the funds contributed to the development of the property development where property units are pre-sold must not be less than 25% of the total amount invested in the project and the progress, the expected completion date and the delivery date of the construction work must have been confirmed; and
- pre-sale permits must have been obtained from the county-level construction bureau or real estate administration authority.

In addition, according to the Rules Governing the Administration of Urban Property Development Operations in Henan (河南省城市房地產開發經營管理條例), as amended in 2005, more than half of the construction of the project has to be completed and the progress of the construction and the delivery date have to be ascertained before we can obtain a pre-sale permit for our projects in Henan.

Pursuant to the Pre-Sale Measures, before the completion of a pre-sold property project, the proceeds from pre-sales must be used only for the construction of the relevant pre-sold property project. The Zhengzhou City Housing Authority has passed a local rule which further requires that pre-sale proceeds for a given pre-sold project be deposited in an escrow account set up for such project. We do not set up specific escrow accounts for each of our pre-sold property projects in Zhengzhou City and therefore are not in full compliance with the local measures. However, no penalties for noncompliance with this rule have been specified by the rule and the Zhengzhou City Housing Authority has confirmed that this rule has not been enforced since its implementation and that no penalties against any entity, including our Company, have been imposed for non-compliance. We believe that there is no material legal risk that a penalty will be imposed on us by any government authority in the PRC as a result of the above-mentioned noncompliance.

See the section entitled "Regulation — Transfer and Sale of Property" for further information on the regulations relating to pre-sales.

In the past, certain of our properties have been sold or pre-sold under lease-back arrangements with put options. This practice was not in full compliance with PRC regulations, and the relevant subsidiaries may be subject to a maximum penalty of RMB30,000 per violation. Please refer to "— Properties Used by Us" in this section for further details.

Sales and marketing

We handle sales through our own sales and marketing center. Our sales and marketing center is responsible for planning and formulating sales and marketing strategies. It is also responsible for carrying out market research, setting and executing marketing strategy and designing advertisements. We provide our sales and marketing staff training on basic knowledge of real estate, sales and marketing, and laws and regulations in relation to the real estate sector.

We advertise in media such as newspapers, outdoor advertising boards and radio broadcasting. We also set up on-site reception centers at each of our projects to display information relating to the relevant property development. In 2001, we established our Jianye Club with the aim of increasing customer loyalty. The Jianye Club provides services to its club members using various methods such as our call center and internet forum. All of our customers are entitled to enter the Jianye Club for no fee. We distribute a free monthly newsletter, "Jianye Lifestyle," to our Jianye Club members and carry out regular customer satisfaction surveys. The Jianye Club offers customers certain perks such as substantial discounts with our corporate partners and a special stadium section at Construction Football Club games (see below). The Jianye Club provides a wide array of services to its members, including personal shopping, personal banking and travel planning. Our aim is to provide for all of a club member's basic needs and to share our wealthy customers with corporate partners in exchange for substantial discounts for club members. The majority of our customers are currently club members.

As a key part of our marketing strategy, we sponsor the only national major league soccer team in Henan — the Construction Football Club, an independent third party, which we believe has enhanced our brand recognition in Henan and elsewhere in China. The Chinese-language name for the Construction Football Club shares our corporate name, "Jianye," although it is no longer owned or operated by us subsequent to our initial public offering.

Customers' payment arrangements

Our customers, including those making sold or pre-sale purchases, can pay with mortgage facilities arranged with banks. Currently, approximately 50% of our customers purchase our properties through mortgage facilities. The mortgage payment terms for properties sold or pre-sold are substantially the same. Currently, purchasers who purchase additional properties subsequent to the purchase of a residential property with a mortgage loan are required to pay at least 50% of the purchase price as down payment with a loan interest rate of not less than 1.1 times the benchmark interest rate published by the PBOC. First-time purchasers who purchase a property are required to make a down payment of at least 30% of the purchase price when executing a sale or pre-sale contract. In each case, a mortgage loan with a maximum term of 30 years for the balance of the purchase price may be available to the purchasers. Purchasers are required to pay the balance of the purchase price within one month following the execution of the sale or pre-sale contract when they purchase properties using mortgage financing.

If our purchasers choose not to finance their purchases with mortgage loan facilities, they are required to pay the purchase price in full at the time of the execution of the pre-sale or sale contract.

In accordance with market practice, we make arrangements with various PRC banks to provide mortgage loans to purchasers of our residential properties. For pre-sold properties, we provide guarantees to banks for the repayment of the mortgage loans granted to our customers. These guarantees are released upon completion of construction and either the delivery of the mortgage registration documents to the relevant banks after the issue of the building ownership certificate or the full settlement of the mortgage loans by our customers, whichever occurs earlier. From our experience, the guarantee periods typically last for six to 12 months after delivery of our properties. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of June 30, 2012, the outstanding guarantees in respect of the mortgage loans of our customers amounted to RMB4,697.9 million (US$739.5 million). In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, defaults in relation to the mortgage loans taken out by our customers and secured by our guarantees were not for material amounts, individually or in the aggregate. We were able to recover all of the default payments from the relevant property owners after the event of default since the proceeds from the resale of the defaulted properties exceeded the amount for which we were held liable as guarantor for our customers. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — We guarantee mortgage loans to our customers and may become liable to mortgagee banks if our customers default on their mortgage payments" in this offering memorandum.

Delivery of properties

Once a property development has passed the requisite government inspections and is ready for delivery, we notify our customers and hand over keys and possession of the properties. Delivery of a property generally takes place within three to six months (depending on the type of the property) after the completion of the property. Our pre-sale or sale contracts provide the time frame for delivery and we are required to make penalty payments to the purchasers for any delay in delivery.

Please refer to the section headed "Risk Factors — Risks Relating to Our Business — We face contractual and legal risks relating to the pre-sale of properties, including the risk that property developments are not completed or delivered on time or at all and risks relating to changes in laws and regulations in relation to the pre-sale of properties" in this offering memorandum.

After-sales services

We assist our customers in arranging for mortgage facilities by providing information on potential mortgagee banks and the mortgage terms they may offer. We also assist our customers in various title registration procedures relating to their properties and attend to the delivery of the properties to our customers.

Our sales and marketing center provides services such as the processing of sales while Henan Central China Commercial Real Estate Management Company Limited handles rental enquiries. Our customer service center and customer service executive in each city are responsible for handling any complaints we may receive from our customers and arranging for and supervising the repair and maintenance of our developed properties in a timely manner.

Customers can become members of our Jianye Club for no fee. Please refer to "— Property Development Process — Sales and Marketing" in this section. We also have a customer relationship management system which provides a platform for our analysis of customer needs and preferences.

Property Leasing

We lease some of our retail units and parking spaces. Our tenants are primarily individual retailers and home owners. Our retail units are generally leased for terms of one to three years while our parking spaces are generally leased for a term of one year. However, for anchor tenants leasing comparatively large areas or more than one location, or whose presence is expected to attract other tenants, we may consider offering them leases for terms of up to 20 years. As of June 30, 2012, we had two leases in respect of the underground shopping center in Lakeside Square (Sanmenxia) with lease terms of approximately 20 years.

We are responsible for identifying prospective tenants for our retail units and conducting research to enhance the tenant profile and trade mix for each project, in each case on an on-going basis. We engage Jianye Property Management (a former subsidiary of ours which we sold to an independent third party in 2006 in order to focus on our core business) to handle the leasing of parking spaces in our residential developments.

As of June 30, 2012, we had three leases in connection with the underground shopping center in our Lakeside Square (Sanmenxia) Project and a clubhouse in our Forest Peninsula (Luoyang) Project. We plan to sell the Lakeside Square (Sanmenxia) Project with the benefit of these leases when a suitable opportunity arises but we plan to continue to hold the clubhouse in the Forest Peninsula (Luoyang) Project for investment purposes. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our revenue generated from rental properties amounted to RMB22.1 million, RMB25.1 million, RMB23.6 million (US$3.7 million) and RMB10.9 million (US$1.7 million), respectively. As of June 30, 2012, the types of units retained by us for rental purposes include retail units, schools and a clubhouse.

Hotel Development

Since 2007, we have begun to build our hotel development capabilities in order to provide a stable revenue base to complement our variable development revenue. When we purchase parcels on which we plan to develop a hotel project, the hotel's projected independent profitability is a precondition to purchase. As of the date of this offering memorandum, we had three hotels in operation and two hotel projects under development.

In September 2007, we signed an operation service agreement ("Services Agreement") with Sheraton Overseas Management Corporation ("SOMC"), a subsidiary of Starwood Hotels & Resorts Worldwide, Inc. (NYSE:HOT) which operates various well-known hotel brand names including Sheraton Hotels and Resorts, Four Points by Sheraton, Le Méridien and Westin Hotels and Resorts. Under the agreement, we are responsible for developing five hotels. Those hotels will be operated and managed by SOMC. Pursuant to the Services Agreement, the term of operation by SOMC will commence from the formal opening of a given hotel until December 31 of the 25th year after the opening. The term can be renewed by SOMC for an additional five-year period. SOMC will receive a basic operating fee of 2% and 2.25% of the gross operating revenue for the first three years of operation and from the fourth year of operation onwards, respectively. SOMC may also receive an incentive fee ranging from 5% to 8% of the gross operating profit based on the gross operating profit of the given hotel for the year. Pursuant to the Services Agreement, between May 2009 and February 2010, we entered into four operation services contracts with SOMC and Starwood Asia Pacific Hotels & Resorts Pte Ltd, respectively, which are affiliates of Starwood Hotels & Resorts Worldwide, Inc., in respect to three hotels in Zhengzhou, Luohe and Kaifeng and one hotel in Zhengzhou. The hotel projects subject to the four operation services contracts include the following:

- *Le Méridien Zhengzhou* is a hotel located in Zhengzhou developed under the Landmark (Zhengzhou) Project and is expected to comprise approximately 330 guest rooms with an aggregate planned hotel GFA of approximately 65,436 sq.m. Construction of the hotel commenced in February 2010 and is expected to be completed around May 2013. The estimated total development cost of the hotel project is approximately RMB475.2 million (including the costs of land acquisition and construction costs).

- *Aloft Zhengzhou Shangjie* is located in Zhengzhou Shangjie and comprises 172 guest rooms with an aggregate GFA of approximately 19,305 sq.m. The hotel opened for business on August 6, 2011. The total development cost of the project is approximately RMB200.0 million (including the costs of land acquisition and construction costs). This hotel is in operation as of the day of this offering memorandum.

- *Four Points by Sheraton Luohe* is located in Luohe and comprises 245 guest rooms with an aggregate GFA of approximately 40,441 sq.m. Construction of the hotel commenced in May 2010 and was completed in October 2012. The total development cost of the hotel project is approximately RMB455.3 million (including the costs of land acquisition and construction costs). This hotel is in operation as of the day of this offering memorandum.

- *Four Points by Sheraton Kaifeng* is located in Kaifeng and is expected to comprise approximately 315 guest rooms with an aggregate planned hotel GFA of approximately 45,000 sq.m. Construction of the hotel commenced in June 2010 and is expected to be completed around May 2013. The estimated total development cost of the hotel project is approximately RMB483.8 million (including the costs of land acquisition and construction costs).

In addition, our Pullman Resort & Spa is located in Kaifeng and is expected to comprise approximately 206 guest rooms with an aggregate planned hotel GFA of approximately 12,837 sq.m. Construction of this hotel commenced in September 2012 and is expected to be completed around July 2014. The estimated total development cost of the hotel project is approximately RMB450.0 million (including the costs of land acquisitions and construction costs). In March 2011, we entered a hotel management agreement and a consulting services agreement for our Pullman Resort & Spa in Kaifeng with a domestic hotel management company.

We financed the development of these hotel projects principally by project loans and internal resources. We have obtained the land use rights certificates for the relevant parcels of land for the development of the above hotels.

In addition, we have entered into a development consultation service agreement with SOMC under which SOMC will also provide consultation services to us in respect of the planning, design and construction of the hotels subject to the Service Agreement. We have also entered into a system license agreement with Sheraton International Inc., an associated company of SOMC, which grants us a non-exclusive right to use, inter alia, their brand standards and trademarks.

In February 2010, we entered into a management agreement with Holiday Inn (China) Co. Ltd. (假日酒店(中國)有限公司), a member of the InterContinental Hotels Group, with respect to Holiday Inn Nanyang, a hotel of ours in Nanyang that is currently under development. Pursuant to the management agreement, Holiday Inn (China) Co. Ltd. will assist us in supervising hotel design and decoration, and will provide management services after the hotel commences operation to ensure that the brand and image of the hotel meet the standards of Holiday Inn. In return, we pay Holiday Inn (China) Co. Ltd. an annual management fee ranging from 5% to 7% of the annual total net profit arising from our operation of the hotel. Meanwhile, we entered into a trademark licensing agreement with an affiliate of Holiday Inn (China) Co. Ltd. pursuant to which we will be entitled to non-exclusive use of certain trademarks such as "Holiday Inn" relating to our operation of Holiday Inn Nanyang in Nanyang, subject to a monthly royalty equivalent to 2% monthly total revenue from our operation of the hotel. This hotel management agreement has a term of 15 years from the hotel opening date and can be renewed for another 10 years within six months before expiry. Construction of this hotel was completed in August 2012.

Property Management Services

We engage a national first grade property management company, Jianye Property Management, our former subsidiary, which we sold to an independent third party in 2006 in order to focus on our core business, to provide a high standard of property management and services to customers. The property management services provided to purchasers of our property projects include maintenance and security of the common areas, gardening and landscaping, cleaning, fire protection and dealing with customer complaints.

According to a strategic cooperation agreement between CCRE China and Jianye Property Management dated August 25, 2006, we formed a strategic cooperation relationship with Jianye Property Management. Pursuant to the strategic cooperation agreement, CCRE China granted Jianye Property Management a right to use its "建業" (*Jian Ye*) trade name on a royalty-free basis and agreed to provide priority to Jianye Property Management when selecting a property management company through a tender process to provide property management services to our projects, and Jianye Property Management agreed to set up a department responsible for business with CCRE China and provide quality staff to deliver quality service to our projects. The property management contract requires we pay a service fee on an annual basis.

Under current PRC law, property owners have the right to engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the interest in the total non-communal area of the building. As of the date of this offering memorandum, Jianye Property Management had never been dismissed by the owners of any of the projects developed by us.

Quality Control

Different departments are responsible for ensuring the quality of our properties and our services. Our product design department is responsible for monitoring the quality of the architectural design and interior design of our property developments. In addition, as of June 30, 2012, we employed 362 professionals, including architectural and structural designers, construction engineers, electrical engineers and water and heat engineers to carry out quality control and construction supervision for our project companies. In accordance with PRC regulations, we engage qualified supervisory companies selected through a tender process, which work closely with our construction management department to monitor the quality, progress and costs of the construction work of our property developments. Our customer service center is responsible for dealing with complaints which we may receive from customers. Where relevant, customer feedback is provided to our product design department so that we can refine the designs of our future properties to meet our customers' tastes and requirements.

We provide our customers with warranties covering the structure and certain fittings and facilities of our property developments in accordance with relevant regulations. In the event of any construction defects in our properties, we require the contractors to remedy the issues before settling the remaining balance under the construction contracts.

Awards and Certificates

Since 2007, the China Real Estate Top 10 Research Team (中國房地產 Top 10 研究組) (the "Research Team") has ranked us as the overall leading residential property developer in Henan. We were evaluated based on a composite of indices including scale, profitability, financial stability, social responsibility, growth potential and operating efficiency. The Research Team was jointly established in 2003 by the Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院). The Research Team's research is generally regarded as an important indicator of the market position of property developers in the PRC and is used by major international financial institutions.

Set forth below is a summary of our additional key awards and certificates since 2004:

Date of grant	Awards/Certificates	Awarding organization
December 2012	Thirty-six ranking among the 2012 China Top 50 Responsible Property Developers	Ministry of Housing and Urban Policy Research Center
October 2012	First ranking among the China Top 10 Central and Western China Real Estate Company by Brand Value	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
March 2012	Twenty-eighth ranking among the 2012 China Top 500 Real Estate Developers	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
February 2012	Fortune 100 in Henan	People's Government of Henan
September 2011	Top 10 Central and Western China Real Estate Company by Brand Value	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal

Date of grant	Awards/Certificates	Awarding organization
February 2011.	Ten Best Real Estate Companies in Sales	Conference on Real Estate Industry in Zhengzhou
March 2010	Top 10 Real Estate Developers by Financial Stability among the 2010 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
March 2010	Thirty-fifth ranking among the 2010 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
2009	Top 10 Real Estate Developers by Financial Stability among the 2009 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
September 2007, 2008, 2009. . .	Top 10 Central and West China Real Estate Company by Brand Value	China Real Estate Top 10 Research Team
April 2009	Thirty-sixth ranking among the 2009 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
December 2008.	Famous Trademark of Henan Province	Administration for Industry & Commerce of Henan Province
March 2008	Thirty-ninth ranking among the 2008 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
March 2008	Top 10 Developers in terms of Anti-risk ability among the 2008 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
March 2007	Forty-first ranking among the 2007 China Top 100 Real Estate Enterprises	China Real Estate Top 10 Research Team
February 2007	CCTV Top 10 Best Employers in Henan in 2006	CCTV and Henan Commercial Daily
2006	China's Representative Project in Zhengzhou (Landmark (Zhengzhou))	China Real Estate News and Nanfang Daily
December 2006.	Excellent Credit Customer in Henan	Henan Bank Association
October 2006	Henan Construction Project "Zhongzhou Cup" — Henan High Quality Construction Work awards granted to towers six and seven of our Home Universe (Zhengzhou) Project	Construction Department of Henan

Date of grant	Awards/Certificates	Awarding organization
October 2006	Henan Construction Project "Zhongzhou Cup" Silver Award — Consumer Satisfactory Construction Work granted to tower one of our Green Garden (Shangqiu) Project	Construction Department of Henan
November 2005	The Most Respected Property Brand Enterprise in China in 2005	China Leading Media for Real Estate Advertising Alliance
November 2004	Asian Habitation Model Project Award awarded to our Forest Peninsula (Zhengzhou) Project	Asian Real Estate Society, Asian Habitat Society and World Association of Chinese Architects
October 2004	The Fastest Growing Development Enterprise in China in 2004	China Real Estate Magazine, China Real Estate Presidential Management Forum
2004	The China Outstanding Floor Plan awarded to two townhouses designed in our U-Town (Zhengzhou) Project	National Housing Industry Association and China Real Estate Newspaper Group

Properties Used By Us

As of June 30, 2012, we owned office spaces at Jianye City Garden (Zhengzhou) which we use as our headquarters in Zhengzhou City, with a total GFA of approximately 9,889 sq.m. In addition, we occupied office spaces with a total GFA of approximately 19,037 sq.m., which we temporarily use as sales centers, in the cities in which we operate. We also lease an office space in Hong Kong with a total GFA of approximately 537 sq.m., which we primarily use for administration purposes.

Competition

In recent years, an increasing number of property developers have begun undertaking property development and investment projects in Henan and elsewhere in the PRC. Our major competitors include large national and regional property developers, including local property developers that focus on one or more cities in Henan. We endeavor to further strengthen our leading position in Henan, while we may also make selective entries into other provinces in China. The real estate market in Henan is rapidly evolving, highly fragmented and competitive. Our competitors, however, may have a better track record, greater financial, marketing and land resources, broader name recognition and greater economies of scale than us in particular cities or markets in which we operate.

For more information on competition, please refer to the section headed "Risk Factors — Risks Relating to the Property Sector in the PRC — Intensified competition may materially and adversely affect our business, results of operations and our financial position" in this offering memorandum.

Intellectual Property Rights

We are the registrant of 81 registered trademarks in the PRC, Singapore and Hong Kong including our " " and " " trademarks under various categories including construction, real estate leasing, real estate management, real estate agency and advertising as of June 30, 2012. We are also the registered owner of the domain names "jianye.com.cn" and "centralchina.com."

We have entered into trademark and trade name licensing agreements with Henan Construction Football Club Company Limited (河南建業足球俱樂部股份有限公司), Jianye Education Industry Company Limited (河南建業教育產業有限公司) and Henan Jianye Property Management Company Limited (河南建業物業管理有限公司), in relation to their use of the "建業"*(Jian Ye)* name and certain of our trademarks on a royalty-free basis. The terms of the licensing agreements contain terms similar to one another and are limited in scope. They contain various protections of our trademarks and trade names, including licensee guarantees of the quality of the goods or services attached to the trademarks and trade names, as well as a prohibition on altering the trademarks and trade names.

Certain of our project names contain "Square," "Luxurious House," "SOHO" and "Peninsula." Please note the following:

- "Square" and "Luxurious House" are not distinctive and cannot be registered as a trademark in the PRC.

- "SOHO" and "Peninsula" are registered by other companies as trademarks in the PRC. However, they have not been used by us as trademarks but only as part of our project names. Therefore, we believe our project names comply with PRC laws and regulations and it is not likely that we will be considered to be infringing upon the intellectual property rights of other companies.

Insurance

We maintain asset insurance policies for our properties and assets. Based on PRC industry practice, we do not insure against potential losses or damage with respect to our properties developed for sale before their delivery to customers. We also do not maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. The construction companies are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations.

To help ensure construction quality and safety, we provide a set of standards and specifications in construction contracts for the construction workers to comply with. We also engage qualified supervisory companies to oversee the construction process. Under PRC law, construction companies bear primary civil liability for personal injuries, accidents and death arising out of their construction work where such personal injuries, accidents or deaths are caused by the construction companies. The owner of the property under construction may also bear supplementary liability if the construction company is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are due to the fault of the owner. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe we will generally be able to defend ourselves as the property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred at our project sites.

Nonetheless, there are risks that we do not have sufficient insurance coverage for some damage and liabilities that may arise from our business operations. Please refer to the section headed "Risk Factors — Risks Relating to our Business — We do not have insurance to cover all potential losses and claims" in this offering memorandum.

Environmental Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments from time to time. These include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to these laws and regulations, each property development is required to undergo environmental assessments. Depending on the impact of the project on the environment, an environmental impact assessment report, an environmental impact analysis table or an environmental impact registration form (each an "environmental impact assessment document") have to be submitted by a property developer before the relevant authorities will grant a permit for commencement of construction work on the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

We have obtained environmental approvals from the relevant local authorities with respect to the constructions of certain of our projects. For our other projects where we have not obtained such approvals, we understood that we were not required to submit environmental impact assessment reports after consultation with the local environmental authorities prior to the commencement of construction of these projects. The construction of these projects is not in full compliance with environmental regulations and may be suspended by the environmental authorities. If remedial procedures are not carried out within a limited period, the project companies may be subject to a fine of up to RMB100,000 and the officers of the property developer and the construction company appointed to carry out the project may be subject to an administrative penalty. The relevant regulation does not stipulate the type or amount of the administrative penalty. Since such environmental laws and regulations have not been strictly implemented in Henan, approvals for project proposals by planning authorities and other follow-up governmental approvals or permits could also be obtained without the approval of the environmental impact assessment documents. Further, as we have already taken remedial actions by submitting supplemental environmental impact assessment documents and obtaining certificates of compliance with the environmental laws issued by the local environmental authorities in 2008, the operation of the relevant subsidiaries should not be materially affected. Save as disclosed above, there has been no material violation of relevant environmental rules and regulations by us, no material environmental pollution incidents involving us, no material administrative penalty imposed on us as a result of violation of environmental rules and regulations and no penalty payable in connection with our failure to submit the environmental impact assessment documents before the commencement of construction of our projects.

Each of our controlling shareholders has agreed to indemnify and keep us indemnified against all liabilities, damages, costs, losses, or expenses which may be imposed or levied by PRC government authorities as a result of our noncompliance with environmental regulations. As of the date of this offering memorandum, save as disclosed above, none of the PRC subsidiaries have breached any applicable PRC environmental laws or regulations in any material respect, and there are no existing material legal proceedings, claims or disputes relating to environmental matters pending or threatened against us.

We will strictly comply with PRC environmental laws and regulations, and further strengthen our management and supervision systems in respect of environmental protection. We will continue to strengthen our control of the construction process. A supervisory system was formulated by a team of officers experienced in pre-construction property development and environmental matters to manage and examine the procedures and activities that may give rise to environmental issues such as noise, water and air pollution, in order to ensure environmental compliance.

Health and Safety Matters

In respect of social responsibility, in particular, labor health, safety, insurance, accidents, relevant laws and regulations mainly include the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law, Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), Regulation on Work-Related Injury Insurance (工傷保險條例), Safety Production Law of the People's Republic of China (中華人民共和國安全生產法), Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (生產安全事故報告和調查處理條例), Administrative Regulations on the Work Safety of Construction Projects (建設工程安全生產管理條例), the Regulations on the Management of the Housing Provident Fund (住房公積金管理條例) and Regulations on the Management of Housing Provident Fund in Henan (河南省住房公積金管理條例). The aforementioned laws and regulations set forth relevant provisions on working hours, work safety, rest and vacation, wages, health and safety, social insurance and welfare for employees. We have purchased insurance for our employees according to PRC laws and regulations and we are planning to increase insurance coverage for our employees to include commercial accident insurance. We believe that as of the date of this offering memorandum, there has been no material violation of currently applicable PRC labor and safety regulations nor have there been any material employee safety issues involving us. Our human resources department is responsible for dealing with employees' safety and security matters.

Employees

As of June 30, 2012, we have 1,371 full-time employees. The following table sets forth the breakdown of our full-time employees by function as of June 30, 2012:

Function	Number of Employees	Percentage of Total Employees
		(%)
Engineering	262	19.1
Planning and Design	77	5.6
Sales, Service & Marketing	303	22.1
Finance and Costs	298	21.7
Investment and Development	60	4.4
Administrative	162	11.8
Management	137	10.0
Other	72	5.3
Total	1,371	100.0

The remuneration package of our employees includes salary, share-based payment and welfare. In general, we determine employee salaries based on each employee's qualifications, position and seniority. Employees are engaged according to employment contracts. We conduct annual appraisals for our employees, the results of which are applied in annual salary reviews and promotion assessments. Employees are granted an annual bonus according to certain performance conditions and appraisal results. Commission is paid only to sales staff. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and a housing reserve fund. We benchmark employee remuneration packages against our peers and therefore we believe the salaries and benefits that our employees receive are competitive in comparison with market rates. We review our staff remuneration annually.

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

Staff Training and Development

In executing its corporate strategies and expansion plan, our top priority is to build a team of performers who demonstrate good work ethics and professionalism, and a strong management team of excellent execution and project management capabilities. In keeping with this goal, we established the "Central China School" to bring project operations and management to a higher level and to continually improve staff training and education.

Legal Proceedings

From time to time we are involved in legal disputes arising in the ordinary course of business, primarily including but not limited to disputes with suppliers. We were not, as of the date of this offering memorandum, engaged in any litigation, arbitration or claim of material importance, and we did not know of any litigation, arbitration or claim of material importance pending or threatened by or against us that would have a material adverse effect on our results of operations or financial condition. However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See "Risk Factors — Risks Relating to Our Business — We may be involved in legal and other proceedings arising out of our operations from time to time and may incur material losses and liabilities as a result."

OUR RELATIONSHIP WITH CAPITALAND

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. As of the date of this offering memorandum, CapitaLand owned approximately 27.0% of our issued share capital and is currently our second largest shareholder. We expect to continue to benefit from CapitaLand's extensive knowledge and expertise in the real estate industry.

CapitaLand first invested approximately HK$597.2 million (equivalent to RMB601.1 million at that time) in our Group in December 2006 in exchange for 29.75% ownership of our Group and made a further investment of approximately HK$517.8 million (equivalent to RMB500.0 million at that time) in August 2007 to increase its ownership stake to 36.14%. From 2008 to 2009, we sold the Landmark mall, with a total GFA of over 50,000 sq.m. to CapitaLand for consideration of approximately RMB390.2 million. Upon the completion of our initial public offering in June 2008, CapitaLand's shareholding in our Company was approximately 27.0%. In our 2011 Rights Issue, CapitaLand Cayman subscribed and was allotted its full entitlement of 116,010,603 rights shares at an issue price of HK$1.71 per rights share for a cash consideration of HK$198.38 million. Following this allotment, CapitaLand's interest in our Group remains unchanged at approximately 27.0% comprising a total of 658,116,228 shares of HK$0.1 each.

CapitaLand regards our Group as a platform to penetrate the residential property market in Henan. We benefit from the extensive industry knowledge and expertise of CapitaLand. It has guided us in developing good practices in risk and internal controls and helped us to keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is also represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisition. CapitaLand also performs regular internal control audits, contributing to significant enhancement of our corporate governance. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces.

On May 16, 2008, CapitaLand China and CapitaLand Cayman entered into a deed of non-competition undertaking (the "Non-Compete") in favor of us with respect to CapitaLand's activities in China. Pursuant to the Non-Compete, each of CapitaLand China and CapitaLand Cayman has agreed that during the period for which it is legally or beneficially interested in not less than 5% of our shares or has any representation on our board of directors and the 12-month period thereafter, it will not engage in residential property development in Henan, Hubei, Hunan, Shanxi, Anhui or Shaanxi provinces. In the event CapitaLand China identifies or is offered any opportunity to participate in any project in any of the aforementioned provinces falling within the scope of our residential business during the period for which it is legally or beneficially interested in not less than 5% of our shares or has any representation on our board of directors, the Non-Compete grants us an option to negotiate and participate in such project. Each such option expires 30 days from our receiving information about a given opportunity from CapitaLand China.

Establishment of a Property Development Enterprise

According to the Law of the People's Republic of China on the Administration of Urban Property (中華人民共和國城市房地產管理法) (the "Urban Property Law") promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and revised in August 2007 and August 2009, a property development enterprise is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the Regulations on Administration of Development of Urban Property (城市房地產開發經營管理條例) (the "Development Regulations") promulgated by the State Council on July 20, 1998, an enterprise which is to engage in development of property shall satisfy the following requirements: (1) its minimum registered capital shall be RMB1 million; and (2) it shall employ at least four full-time professional property/construction technicians and at least two full-time accounting officers, each of whom shall hold relevant qualification certificates. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the amount of registered capital of, and the qualifications of professionals retained by, property development enterprises.

Pursuant to the Rules Governing the Administration of Urban Property Development Operations in Henan (河南省城市房地產開發經營管理條例) (the "Henan Development Rules") promulgated on June 4, 2002 and amended on January 14, 2005 and on July 30, 2010 by the Standing Committee of the People's Congress of Henan, property developers established in Henan should satisfy the following requirements: (i) the registered capital should be RMB2 million or more; (ii) it should have five or more full-time professional property/construction technicians, of whom three or more should have intermediate professional titles or above; and (iii) it should have two or more full time accounting officers, each of whom should hold the relevant professional qualification certificates. Any property developer who does not conform to the requirements set forth by the Henan Development Rules and was established before the implementation of the Henan Development Rules, is required to meet the aforesaid requirements within one year or will be deregistered by the Administration for Industry and Commerce.

Pursuant to the Development Regulations, a developer who aims to establish a property development enterprise should apply for registration with the Administration for Industry and Commerce. The property development enterprise must also report its establishment to the property development authority in the location of the registration authority, within 30 days upon the receipt of its business license.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on April 26, 2004, the portion of capital funding for property projects (excluding affordable residential housing projects) has been increased from 20% to 35%.

However, on May 25, 2009, the State Council issued the Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) and lowered the minimum capital requirement for projects of affordable residential housing and regular commodity residential houses from 35% to 20% and, for other property projects, to 30%.

Foreign-Invested Property Enterprises

Under the Foreign Investment Industrial Guidance Catalog (外商投資產業指導目錄) jointly promulgated on December 24, 2011 by MOFCOM and NDRC and effective from January 30, 2012, foreign investment in enterprises engaged in the development of a whole land lot, the construction and operation of high end hotels, premium office buildings, international conference centers and large theme parks, transactions in the real estate secondary market and real estate intermediary or broker services falls within the category of industries in which foreign investment is restricted, and foreign investment in construction and operation of golf course and villas is prohibited, while foreign investment related to other kinds of real estate development falls within the category of industry in which foreign investment is permitted. Meanwhile, foreign investment in the development of a whole land lot is required to take the form of joint development with the PRC partners.

According to the Interim Provisions on Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法) promulgated by the NDRC in October 2004, the NDRC shall examine and approve foreign investment projects with a total investment of US$100 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of US$50 million or more that come within the category of industries in which foreign investment is restricted. Foreign investment projects with a total investment of US$500 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of US$100 million or more that come within the category of industries in which foreign investment is restricted are subject to further approval of the State Council based on the examination and approval of the NDRC.

Foreign invested property enterprises can be established in the form of a sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly foreign-owned enterprise. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which a certificate of approval for a foreign-invested enterprise will be issued.

On July 11, 2006, the MOHURD, MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce ("SAIC") and SAFE jointly promulgated the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見) (the "Opinion"). According to the Opinion, the access to and management of foreign capital in the property market must comply with the following requirements:

- Foreign entities or individuals who buy property not for their own use in China must apply for the establishment of a foreign-invested enterprise pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign entities and individuals can then carry on their business pursuant to their approved business scope.

- Where the total investment amount of a foreign-invested property development enterprise is US$10 million or more, its registered capital shall not be less than 50 percent of the total investment amount; where the total investment amount is less than US$10 million, its registered capital shall follow the requirements of the existing regulations.

- The commerce authorities and the Administration for Industry and Commerce are responsible for the approval and registration of a foreign-invested property development enterprise and the issuance to the enterprise of a temporary certificate of approval for a foreign-invested enterprise (which is only effective for one year) and the business license. Upon full payment of the assignment price under a land grant contract, the foreign-invested property development enterprise should apply for the land use rights certificate in respect of the land. With such land use rights certificate, it can obtain a formal certificate of approval for a foreign-invested enterprise from the commerce authorities and an updated business license.

- Transfers of projects or shares in foreign-invested property development enterprises or acquisitions of domestic property development enterprises by foreign investors should strictly comply with relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (1) a written undertaking of fulfillment of the contract for the assignment of state-owned land use rights; (2) a construction land planning permit and construction works planning permit; (3) land use rights certificate; (4) documents evidencing the filing for modification with the construction authorities; and (5) documents evidencing the payment of tax from the relevant tax authorities.

- When acquiring a domestic property development enterprise by way of share transfer or otherwise, or purchasing shares from Chinese parties in a sino-foreign equity joint venture, foreign investors should make proper arrangements for the employees, assume responsibility for the debts of the enterprise and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, those with unsound financial track records, or those that have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, The General Office of MOFCOM promulgated the Circular on the Thorough Implementation of the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於貫徹落實《關於規範房地產市場外資准入和管理的意見》的通知) (the "Circular"). The Circular not only reiterates relevant provisions on foreign investment in the real estate industry as prescribed in the Opinion, but also sets forth the definition of Real Estate FIE as a foreign invested enterprise ("FIE") which carries out the construction and operation of a variety of buildings such as ordinary residences, apartments and villas, hotels (including restaurants), resorts, office buildings, convention centers, commercial facilities, and theme parks, or, undertakes the development of land or a whole land lot in respect of the abovementioned projects.

On September 1, 2006, the MOHURD and the SAFE jointly issued the Opinions on Regulating the Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), providing regulations on real estate development enterprises mainly as follows:

- For real estate development enterprises, the current account for foreign exchange shall not maintain property purchase payments remitted by residents of Hong Kong, Macau and Taiwan and overseas Chinese expatriates;

- Where the registered capital relating to a Real Estate FIE remains unpaid in its entirety, or the state-owned land use rights certificate is yet to be obtained, or the capital fund of development project has not reached 35% of the total amount of the project investment, such Real Estate FIE is not permitted to borrow foreign loans from overseas; and

- Where foreign entities and individuals purport to merge and acquire domestic real estate enterprises by way of share transfer or any other means, to acquire a Chinese party's shares within an equity joint venture, such foreign entities and individuals must make a one-time payment for the transfer consideration, otherwise SAFE shall not process any foreign exchange registration relating to the foreign exchange transaction.

On May 23, 2007, MOFCOM and SAFE promulgated the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which stipulates, among others, that:

- Foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;

- Before obtaining approval for the setup of a Real Estate FIE, (a) both the land use rights certificates and building ownership certificates should be obtained or, (b) contracts for obtaining land use rights or building ownership rights should be entered into;

- Entities which have been set up with foreign investment need to obtain approval before expanding their business operations into the real estate sector and entities which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;

- Strict control should be imposed on the acquisition of or investment in domestic real estate enterprises by way of round trip investment. Foreign investors shall not acquire control of domestic enterprises for the purpose of circumventing the approval procedure related to Real Estate FIE;

- In a Real Estate FIE, Chinese parties shall not, explicitly or implicitly provide any warranties with regard to allocating fixed returns to any party;

- A Real Estate FIE incorporated upon approval by local approval bodies should be registered with MOFCOM on a timely basis; and

- Foreign exchange administration bodies and designated foreign exchange banks shall not process sale and settlement of foreign exchange for capital account items for Real Estate FIEs that fail to complete filing procedures with MOFCOM or to pass joint inspection for foreign invested enterprises.

In addition, according to the Circular on Distribution of the List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) issued by the General Affairs Department of SAFE on July 10, 2007, (1) local branches of SAFE shall not process any foreign debt registration application or conversion of foreign debt for any Real Estate FIE (including in respect of both newly incorporated Real Estate FIEs and Real Estate FIEs that have registered increased capital contributions) that obtained a certificate of approval for a foreign-invested enterprise from local commerce authorities and completed the registration with MOFCOM on or after June 1, 2007; (2) SAFE branches shall not process foreign exchange registration (or alterations to registration), or sale and settlement of foreign exchange for capital account items, for any Real Estate FIEs that has obtained a certificate of approval from local commerce authorities, but that has not registered with MOFCOM on or after June 1, 2007.

On July 1, 2008, MOFCOM implemented the Circular on the Proper Handling of the Record Filing for Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知), delegating provincial-level commerce authorities the authority to register matters concerning foreign investment in real property projects after approving the legality, authenticity and accuracy of the project.

In accordance with a Circular with respect to the Administration of Conversion into Renminbi of Foreign Exchange Capital Contributions to Foreign Invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) promulgated by SAFE in August 2008, unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contributions can only be applied to activities that come within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

On April 6, 2010, the State Council issued the Opinions on Further Enhancing the Utilization of Foreign Investment (關於進一步做好利用外資工作的若干意見), which provides that, except for the projects required to be approved by relevant departments of the State Council pursuant to the Catalog of Investment Projects Subject to Government Approvals (政府核准的投資項目目錄), a project within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog may be approved by local government authorities, provided that the total investment (including capital increase) for such project is no more than US$300 million.

On May 4, 2010, the NDRC issued the Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog shall be verified by the NDRC at the provincial level, provided that such projects have a total investment (including capital increase) of no more than US$300 million. The circular further specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Interim Provisions on Approving Foreign Investment Projects. According to the circular, the power to verify the projects within the restricted category under the Foreign Investment Industrial Guidance Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment (商務部關於下放外商投資審批權限有關問題的通知). Under the circular, the relevant local branches of the MOFCOM are granted the power to examine, approve and administrate the establishment and alterations of (i) foreign invested enterprises which are within the encouraged and permitted categories under the Foreign Investment Industrial Guidance Catalog with a total investment of no more than US$300 million, and (ii) foreign invested enterprises which are within the restricted category under the Foreign Investment Industrial Guidance Catalog with a total investment of no more than US$50 million.

In November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment in Real Estate Industry (關於加強外商投資房地產業審批備案管理的通知), which reiterated a number of these limitations on foreign-invested real estate enterprises.

Qualifications of a Property Development Enterprise

Classifications for the qualifications of property development enterprises

Under the Development Regulations, a property development enterprise must report its establishment to the governing property development authorities in the location of the registration authority within 30 days after receiving its business license. The property development authorities shall examine applications for classification of a property development enterprise's qualification by considering its assets, professional personnel and industrial achievements. A property development enterprise shall only engage in property development projects that come within the scope of its approved qualification.

Under the Provisions on Administration of Qualifications promulgated by the MOHURD and implemented on March 29, 2000, a property development enterprise shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification shall be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to both preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council.

Procedures for approval of developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established property development enterprise, after it reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days. The provisional qualification certificate shall be effective for one year from its issuance and, depending on the actual business situation of the enterprise, may be extended by the property development authority for a period of no longer than two years. A property development enterprise shall apply with the property development authority for qualification classification within one month of expiry of the provisional qualification certificate.

According to the Henan Development Rules, a property development enterprise must register with the municipal property development authority directly under the provincial government within 30 days after receiving its business license. The municipal property development authority must submit to the provincial construction authority for approval within 15 days and the provincial construction authority must issue a provisional qualification certificate to the eligible developer within 15 days. The provisional qualification certificate will be effective for two years from the date of its issuance. For property development enterprises who fail to complete their project within two years, the property development authority may extend the validity to a period of no more than one year.

In accordance with the Implementation Provisions on Administration of Qualification of Real Estate Developers of Henan (河南省房地產開發企業資質管理實施細則) (the ''Henan Real Estate Developers Provisions''), promulgated on and effective October 26, 2000, by the Construction Bureau of Henan, the qualification of property development entities is approved according to the hierarchy of approval authorities. The class 1 qualification is preliminarily examined by the provincial construction authority for submission to the Ministry of Construction for approval. The class 2 or lower qualification is preliminarily examined by the local municipal construction authority for submission to the provincial construction authority for approval.

The business scope of a property development enterprise

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property development enterprise may undertake property development projects throughout the country without any limit on the scale of the project. A property development enterprise of class 2 or lower may undertake a project with a GFA of less than 250,000 square meters and the specific scopes of business shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Under the Henan Development Rules, a property development enterprise must, after obtaining its qualification certificate, only engage in the development of the property according to its qualification classification: (a) the construction scale of a property development project undertaken by a property development enterprise with class 1 qualification is not subject to restriction; (b) a property development enterprise with class 2 qualification may undertake any property development project with a GFA of less than 250,000 square meters; (c) a property development enterprise with class 3 qualification may undertake any property development project with a GFA of less than 100,000 square meters; (d) a property development enterprise with class 4 qualification may undertake any property development project with a GFA of less than 30,000 square meters; and (e) a property development enterprise with a provisional qualification certificate may be engaged in a development project relative to the approved standards of the class of qualification so stated in the certificate. With respect to property projects developed in stages, the overall scope of the project must be taken into account when calculating the GFA.

The annual inspection of a property development enterprise's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property development enterprise shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property development enterprise's qualification. Procedures for annual qualification inspection for developers with class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Development of a Property Project

Land for property development

Under the Provisional Regulations of the People's Republic of China on the Grant and Transfer of the Land-Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "Provisional Regulations on Grant and Transfer") promulgated by the State Council on May 19, 1990, a system of assignment and transfer of the right to use state-owned land is adopted. A land user shall pay an assignment price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on the Grant and Transfer and the Urban Property Law, the land administration authority under the local government of the relevant city or county shall enter into a land use rights grant contract with the land user to provide for the assignment of land use rights. The land user shall pay the assignment price as provided by the assignment contract. After full payment of the assignment price, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Development Regulations provide that the land use right for a land parcel intended for property development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用規定) promulgated by the MLR on May 9, 2002 and implemented on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall be granted by means of tender, public auction or listing-for-sale. A tender of land use rights means the relevant land administration authority (the "assignor") issues a tender announcement inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in a tender for the land use rights of a particular parcel of land. The land user will be determined according to the results of the tenders. An auction for land use rights is where the assignor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. A listing-for-sale is where the assignor issues a listing-for-sale announcement specifying the land grant conditions and inviting bidders to list their payment applications at a specified land exchange within a specified period. The procedures for tender, auction and listing-for-sale may be summarized as follows (for the purpose of the summary, the participant in a tender, auction or listing for sale is referred to as a "bidder"):

- The land authority under the government of the city and county (the "assignor") shall announce at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars of the land parcel, qualification requirements for bidders, the methods and criteria for selection of the winning bidder and certain conditions such as the deposit for the bid.

- The assignor shall conduct a qualification verification of the bidding applicants and inform the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale.

- After determining the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the assignor and the winning bidder shall then enter into a confirmation. The assignor should refund the other applicants their deposits.

- The assignor and the winning bidder shall enter into a contract for the assignment of state-owned land use rights at a time and venue set out in the confirmation. The deposit for the bid paid by the winning bidder will be deemed as part of the assignment price for the land use rights.

- The winning bidder should apply to register the land registration after paying off the assignment price. The people's government at the municipality or county level or above should issue the land use rights certificate.

On June 11, 2003, the MLR promulgated the "Regulations on the Grant of State-owned Land Use Rights by Agreement" (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights for business purposes including commercial, tourism, entertainment and residential commodity properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of the Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知) promulgated by the MLR on September 4, 2003, from the day of issuance of the Notice, the assignment of land use rights for luxury commodity houses shall be stringently controlled, and applications for land use rights for villas are to be stopped. On May 30, 2006, the MLR issued the Urgent Notice on Rigorously Strengthening the Administration of Land (關於當前進一步從嚴土地管理的緊急通知) which provides that land for property development must be granted by competitive bidding, public auction or listing-for-sale; the rules prohibiting development projects for villas should be strictly enforced; and land supply and relevant procedures of land use for villas ceased to have effect from the date of the notice.

Under the Urgent Notice of Rigorously Strengthening the Administration of the Land, the land authority should strictly follow the Model Form of the State-owned Land-Use Rights Grant Contract and Model Form of the State-owned Land Use Rights Grant Supplementary Contract (for Trial Implementation), which were jointly promulgated by the MLR and the SAIC. The documents relating to the assignment of land should specify the requirements for planning, construction and land use such as relevant restrictions on the dwelling size and plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the contract for the assignment of the land.

On September 21, 2007 the MLR promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) which came into force on November 1, 2007. The rules stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the assignment of state-owned land use rights by competitive bidding, public auction or listing for sale. The rules clearly state that the grant of land for industrial use must also be by means of competitive bidding, public auction or listing for sale.

On September 30, 2007, the MLR issued a new notice to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the coemption of land by property development enterprises. Property development enterprises shall develop their land according to the terms of the relevant land use rights grant contract, and any violation thereof may restrict or prevent such property development enterprises from participating in future land bidding. Generally, the development period of each parcel of land must not exceed three years.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), promulgated by the MOF, PBOC and MLR on November 19, 2007, define "reserved land" and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. Moreover, the measures make it clear that land must be reserved in accordance with corresponding land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under utilized.

In November 2009, the MOF, MLR, PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grants Development (關於進一步加強土地供應收支管理的通知). The Notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a contract for the assignment of land, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In March 2010, the MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development (關於加強房地產用地供應和監管的有關問題的通知) (the "2010 Notice") which adopted measures to improve the regulation of land for real estate development. These include measures to: improve the preparation and implementation of land supply plans; guarantee the supply of land for subsidized community housing developments; improve the regime of public tender, auction and listing-for-sale of land use rights; enhance the supervision on the use of land; disclose to the public information on the supply and assignment of land and the status of the construction project on the land; and conduct special inspections on outstanding problems related to land use.

Pursuant to the 2010 Notice, the administrative authorities for land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the relevant administrative authority for land and resources at the commencement and completion of the construction project. The commencement and completion date of construction set forth in the agreements may be postponed by reporting the reasons for the delay to the respective administrative authority for land and resources no later than 15 days prior to such date. A developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new land grant transactions for a minimum of one year. Additionally, land used for developing subsidized community housing and small-to-medium-size self-use residential commodity housing, as well as for the redevelopment of run-down and substandard housing shall account for not less than 70% of the total land supply for residential property development. The lowest land premium for the assignment of land use rights shall not be lower than 70% of the benchmark price for land of the same grade in the same locality, and the deposit for the participation as a bidder for the land shall not be lower than 20% of the minimum land premium. The contract for the assignment of land shall be executed in writing within ten days after the deal is reached, the down payment of the land assignment price, which shall not be less than 50% of the full land assignment price, shall be paid within one month after the contract for the assignment of land is executed, and the land assignment price shall be paid in full no later than one year after the contract for the assignment of land is executed. A property development enterprise that defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of the contract for the assignment of land shall be banned from participating in any transactions for the assignment of land for a specified period.

In September 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of one parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the floor area ratio for residential land is required to be more than one. In addition, a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as land idle for more than one year on its own reasons, have been completely rectified.

In December 2010, the MLR promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of this year; (ii) land and resource authorities in local cities and counties will report to the MLR and provincial land and resource authorities, respectively, regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

On January 26, 2011, the State Council issued the Notice on Further Regulating the Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), which provides a more stringent supervision on housing land supply, among other provisions, the new regulation requires land bidding participants to provide a source of fund proof.

On May 23, 2012, the MLR and NDRC jointly issued the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (關於發佈實施《限制用地項目目錄(2012年本)》和《禁止用地項目目錄(2012年本)》的通知), under which, the area of land to be granted for residential use should not exceed (i) seven hectares for small cities and towns; (ii) 14 hectares for medium-sized cities; and (iii) 20 hectares for large cities, and the plot ratio for residential housing projects must be more than 1.0.

On February 15, 2012, the MLR issued the Notice on Diligent Real Estate Land Use Management and Regulation (關於做好2012年房地產用地管理和調控重點工作的通知), which provided, among others, that local governments shall put into effect a reporting system of project commencement and completion, and land users shall submit written reports to the relevant land and resources department at the time of, or prior to, project commencement and completion for supervision.

Resettlement

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas (城市房屋拆遷管理條例) (the "Demolition and Removal Rules") promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the "resettling party") should apply for a resettlement permit before commencing resettlement. The resettling party must enter into written agreements with the relevant residents detailing, among other things, the compensation to be provided to the residents, which will be determined on the basis of, among other things, the property's location, permitted use and gross floor area. For leased housings, the resettlement and compensation agreements shall be reached among the resettling party, the relevant residents and the lessees. If the resettling party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in a people's court within three months from the ruling if they contest the ruling. The resettling party shall provide monetary compensation or alternative residence for the residents to be resettled according to relevant laws and regulations. There is no need to provide any compensation for the resettlement of illegal housings and temporary constructions, the valid term of which has expired. However, it is necessary to provide proper compensation to demolish those temporary constructions within the valid terms.

On January 21, 2011, the State Council promulgated the Regulation on Expropriation and Compensation Related to Buildings on State-owned Land (國有土地上房屋徵收與補償條例) (the "Expropriation and Compensation Regulation'') which has superseded the Demolition and Removal Rules. The Expropriation and Compensation Regulation provides that, among other things:

(i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations;

(ii) compensation shall be paid before the resettlement;

(iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and

(iv) neither violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations.

In addition to paying the demolition and removal compensation, the property developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

After a property developer has carried out the above work, the site is ready for the commencement of construction works, the progress of demolition and relocation of existing buildings complies with construction needs and funds for the construction have been made available, the developer shall apply for a Permit for Commencement of Works from the construction authority under the local government above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Construction in October 1999 and as amended in July 2001.

Termination of the land use rights

In accordance with the Land Administrative Law of the People's Republic of China (中華人民共和國土地管理法) promulgated by the Standing Committee of the National People's Congress on June 25, 1986 and amended on August 28, 2004, under any of the following cases, the land administrative authorities may recover the state-owned land use rights with the approval of the people's governments that originally gives the approvals or the relevant competent people's governments:

- use land for the sake of public interests (subject to proper compensation);

- use land for adjustment in re-building old city districts in order to implement urban construction plans (subject to proper compensation);

- when the term for the land use rights expires, the land user has failed to apply for an extension or failed to get approval for an extension;

- the use of land originally allocated has been stopped due to cancellation or removal of units; and

- roads, railways, airports and mining sites that have been approved to be abandoned.

Under the Provisional Regulations on Grant and Transfer, the maximum term of the land use rights shall be determined, respectively, in the light of the purposes listed below: (i) 70 years for residential purposes; (ii) 40 years for commercial, tourism and entertainment purposes; and (iii) 50 years for education, science, culture, public health, physical education, industrial, comprehensive utilization or other purposes.

Commencement of development with respect to a property project and idle land

Under the Urban Property Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the assignment of land. According to the Measures on Disposing Idle Land (閒置土地處置辦法) promulgated by the MLR on April 28, 1999 and amended on July 1, 2012, a parcel of land can be defined as idle land under any of the following circumstances:

- any state-owned construction land, of which the holder of the land use rights fails to start the construction and development of the land within one year after the commencement date as prescribed in the contract for fee-based use of state-owned construction land or the decision on allocation of state-owned land for construction; or

- any state-owned construction land of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

Unless the delay in development of the land is caused by government actions as stipulated by the Measures on Disposing Idle Land, a parcel of land which has been deemed as idle land by competent authority of land and resources may be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent authority of land and resources at the municipal or county level may, with the approval of the people's government at the same level, issue a Decision on Collecting Idle Land Fee to the holder of the land use rights and collect the idle land fee at the rate of 20% of the land assignment or allocation price, and such idle land fee shall not be included in the production cost by the holder of the land use rights; and

- where the land has remained idle for more than two years, the competent authority of land and resources at the municipal or county level may, with the approval of the people's government at the same level, issue a Decision on Forfeiting the Right to Use the State-owned Construction Land to the holder of the land use rights to forfeit the state-owned construction land use rights without compensation.

On January 3, 2008, the State Council promulgated the Circular on Conservation of Intensive Land Use (關於促進節約集約用地的通知), which seeks to:

- examine and adjust all ranges of site planning and land use standards in line with the principle of economic and intensive land use; project designs, construction and approval of construction shall all be subject to stringent land use standards;

- urge all localities to enforce policies for the disposal of idle land; where a piece of land has been idle for two full years and may be retrieved unconditionally as statutorily required, such land shall be retrieved and arrangements for its use shall be made, and where a piece of land has been idle for one year but less than two years, an idle land charge valued at 20% of the land assignment premium shall be levied on the land user;

- vigorously guide the use of unused and abandoned land and encourage the development and utilization of aboveground and underground space;

- strictly implement the tender, auction and listing-for-sale regime for land intended for industrial and business purposes; where the total land premium is not paid in full in compliance with contractual agreement, the land use certificate shall not be issued, nor shall it be issued in proportion to the ratio between the paid-up land premium and the total land premium;

- make reasonable arrangements on residential land and persist on banning land supply for real estate development projects for villas, and strictly prohibit unauthorized conversion of agricultural land into construction land;

- strengthen supervision and inspection of intensive land use conservation; and

- discourage financial institutions from granting loans and providing finance to property development enterprises whose real estate development project is less than one quarter invested, occupies an area less than one third and/or was commenced over one year after the project commencement date, in each case as stipulated in the contract for the assignment of land.

Planning of a property project

According to the Measures for Control and Administration of the Grant and Transfer of the Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the MOHURD on December 4, 1992 and implemented on January 1, 1993 and the Notice of the Ministry of Construction on Strengthening the Planning Administration of the Grant and Transfer of the Right to Use State-owned Land (建設部關於加強國有土地使用權出讓規劃管理工作的通知) promulgated by the MOHURD on December 26, 2002, after signing the contract for the assignment of land use rights, a property development enterprise shall apply for a project survey and a construction land planning permit from the city planning authority. After obtaining a construction land planning permit, a property development enterprise shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction works planning permit from the city planning authority.

The Urban and Rural Planning Law (城鄉規劃法), promulgated by the Standing Committee of the National People's Congress in October 2007 which became effective in January 2008, provides regulations with respect to the formulation, implementation, modification, control, supervision and related legal liability of measures aimed at curbing problems that may arise as a result of conflicts between city and rural construction developments. The scope of the measures includes the planning, layout and construction of cities, towns with administrative status, market towns and villages. In order to effectively prevent construction that is in breach of rules and regulations, the Urban and Rural Planning Law stipulates that where any construction project is commenced without obtaining a construction land planning permit, or where construction land planning permit has been obtained but construction has proceeded not in accordance with that permit, the Urban and Rural Planning Department at the county level or above may issue an order to cease construction. In the case that the construction can be remedied to conform to the relevant planning rules, an order can be made to rectify the construction in a prescribed period of time and a fine totaling between 5% to 10% of the total construction cost may be imposed. Where the construction cannot conform to relevant planning rules, an order for its demolition will be issued or, where demolition is not possible, the property and/or illegal income derived from the property will be confiscated and a fine totaling 10% or less of the construction cost will be imposed.

In November 2009, the MOHURD and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Implementation of the Special Project to Address Problems Regarding Unauthorized Changes to the Planning and Adjustment of the Floor Area Ratio (關於深入推進房地產開發領域違規變更規劃調整容積率問題專項治理的通知) which re-emphasized the need to rectify, investigate and punish property development enterprises which undertake any unauthorized adjustment of the floor area ratio.

Construction of a property project

According to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) promulgated by the MOHURD on October 15, 1999 and as amended and implemented on July 4, 2001, after obtaining the construction works planning permit, a property development enterprise shall apply for a construction works commencement permit from the construction authority under the local people's government at the county level or above. The Notice Regarding the Strengthening and Regulation of the Management of New Projects (關於加強和規範新開工項目管理的通知), promulgated by the General Office of the State Council on November 17, 2007, regulates the conditions for commencing investment projects, establishes a mechanism for the coordination of government departments regarding new projects, strengthens the statistics and information management and tightens the supervision and inspection of new projects.

Completion of a property project

According to the Development Regulations and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) promulgated by State Council on January 30, 2000, the Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the MOHURD in April 2000 and amended in October 2009 and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the MOHURD on June 30, 2000, after the completion of construction of a project, the property must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Thereafter, the property development enterprise shall apply for at the property development authority under the people's government at the county level or above for a certificate of completion. Once the examination has been completed, a Record of Acceptance Examination upon Project Completion (項目竣工驗收報告) will be issued.

According to the Notice on Further Strengthening the Quality Supervision and Management of Construction Projects (關於進一步加強建築工程質量監督管理的通知) promulgated by the MOHURD on April 13, 2009, the legal regulatory framework and the supervision system in respect of quality supervision and completion acceptance examination shall be further improved.

Transfer and Sale of Property

Transfer of property

According to the Urban Property Law and the "Provisions on Administration of Transfer of Urban Property" (城市房地產轉讓管理規定) promulgated by the MOHURD on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring the title to a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the contract for the assignment of the land and a land use rights certificate has been obtained; or (b) development has been carried out according to the contract for the assignment of the land and, in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the contract for the assignment of the land after deducting the time that has been used by the former land user(s). In the event the transferee intends to change the use of the land provided in the original contract for the assignment of the land, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the assignment contract or a new contract for the assignment of the land shall be signed in order to, amongst other matters, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

Sale of commodity buildings

Pursuant to the Regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法) promulgated by the MOHURD on April 4, 2001 and implemented on June 1, 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.

Permit for pre-sale of commodity buildings

According to the Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法) (the "Pre-sale Measures") promulgated by the MOHURD on November 15, 1994 and as amended on August 15, 2001 and July 20, 2004, the pre-sale of commodity buildings shall be subject to a licensing system, and a property development enterprise intending to sell a commodity building before its completion shall register with the property development authority of the relevant city or county to obtain a pre-sale permit. A commodity building may be sold before completion only if: (a) the assignment price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; (b) a construction works planning permit and construction works commencement permit have been obtained; (c) the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and (d) the pre-sale has been registered and a pre-sale permit has been obtained.

According to the Henan Development Rules, the following conditions shall be fulfilled for the pre-sale of commodity properties in Henan: (a) a property developer's qualification certificate has been obtained; (b) land premium has been paid in full and state-owned land use rights certificates have been issued; (c) construction works planning permit and permit for construction work have been obtained; (d) more than half of the construction work has been completed in line with the design of image progress and the progress of work and delivery dates have been ascertained; and (e) other conditions as may be stipulated by laws and regulations. A property developer must apply for a permit for pre-sale of commodity properties with the land and housing authority at the municipal or county level by presenting certificates proving that the aforesaid conditions have been fulfilled. The land and housing authority at the municipal or county level must keep track of the construction progress of a property project for which permits for pre-sale of commodity properties have been issued and, if there is any noncompliance with relevant laws and regulations, will order the property developer to redress within a specified time period. Without permits for pre-sale of commodity properties, pre-sale of commodity properties is prohibited and any fees in relation to pre-sales are prohibited to be collected from buyers.

In addition, according to the Regulation on Urban Real Estate Transactions in Henan (河南省城市房地產交易管理辦法) promulgated by the Henan provincial government on November 23, 2001 and effective May 1, 2002, a commodity property purchase agreement shall be negotiated and agreed upon between a buyer and a seller in relation to a commodity property for pre-sale. The property developer shall apply for registration and record with the local land and housing registration department within 30 days from the execution of the commodity property purchase agreement. Only after obtaining permits for pre-sale of commodity properties can a property developer release advertisements on pre-sales of commodity properties. The advertisements must specify the serial numbers of the permits for pre-sale of commodity properties and the name of the authorities issuing the permits for pre-sale of commodity properties. The advertisements must be true and accurate. Any information which may be deceptive, misleading or does not conform to the property projects for pre-sale is prohibited in advertisements.

Supervision of pre-sale income of commodity buildings

According to the Pre-sale Measures, the income of a property development enterprise from the pre-sale of commodity buildings must be used for the construction of the relevant project. The specific measures for the supervision of the income from the pre-sale of commodity buildings shall be formulated by the relevant property administration authorities.

Conditions of the sale of post-completion commodity buildings

Under the regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (a) the property development enterprise shall have a business license and a qualification certificate of a property development enterprise; (b) the enterprise shall obtain a land use rights certificate or other approval documents for land use; (c) the enterprise shall have the construction works planning permit and construction works commencement permit; (d) the building shall have been completed, inspected and accepted as qualified; (e) the relocation of the original residents shall have been completed; (f) the provision of essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; and (g) the property management plan shall have been completed.

Before the post-completion sale of a commodity building, a property development enterprise shall submit the property development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

Regulations on transactions of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building with the relevant property administration authorities.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) issued on May 9, 2005:

- a buyer of a pre-sold commodity building is prohibited from conducting any further transfer of the commodity building before construction has been completed and a property ownership certificate obtained. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the property administration authorities shall not register the application for property ownership; and

- a real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, the MOHURD, the NDRC and SAIC jointly promulgated the Notice on Reorganizing and Regulating Real Estate Transaction Procedures (關於進一步整頓規範房地產交易秩序的通知), the details of which are as follows:

- a property development enterprise may start to sell the commodity buildings within 10 days after receiving a pre-sale permit, and without this permit, the pre-sale of commodity buildings is prohibited, as is the subscription to (including reservation, registration and number selecting) or acceptance of any kind of pre-sale payments;

- the property administration authority should establish a network system for pre-sale contracts of commodity buildings, which should include the location and basic information of the commodity building and the schedule for the sale, and the buyer of a pre-sale commodity building is prohibited from conducting any further transfer of the commodity building while it is still under construction;

- the pre-sale of commodity buildings must not be advertised without a pre-sale permit;
- property development enterprises with a record of serious irregularity or developers who do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in pre-sale activities; and
- property administration authorities should strictly carry out the regulations of the pre-sale registration and apply the real name system for house purchases.

On April 13, 2010, the MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale System of Commodity Properties (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without pre-sale approval, pre-sale of commodity properties is not permitted and property developers are not allowed to charge buyers any deposit, pre-payment or payment of similar nature. Within 10 days after obtaining the relevant pre-sale permits, property developers are required to make a public announcement on all information relating to the units available for pre-sale and the price of each unit. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

On March 16, 2011, NDRC promulgated the Rules on Price Tag regarding the Sale of Commodity Property (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to this regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to specify factors that would affect housing prices and relative charges before the property sale, such as commission fee and property management fee. No additional charge beyond what is specified in the price tag or made public by the property developers is permitted.

Mortgages of property

Under the Urban Property Law, the Guarantee Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995 and implemented on October 1, 1995, and the Measures on the Administration of Mortgages of Property in Urban Areas China (城市房地產抵押管理辦法) promulgated by the MOHURD in May 1997 and as amended on August 15, 2001, when a mortgage is lawfully created on a building, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights acquired through means of assignment are being mortgaged, the buildings on the land shall be simultaneously mortgaged. The land use rights of town and village enterprises cannot be mortgaged. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall at the same time also be mortgaged. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage shall register the mortgage with the property administration authorities at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on property in respect of which a house ownership certificate has been obtained, the registration authority shall make an entry under the "third party rights" item on the original house ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage after the issuance of certificates evidencing the ownership of the property.

Leases of buildings

Both the Urban Land Regulations and the Real Property Law permit leasing of granted land use rights and the buildings or properties constructed on the land. Leasing of properties situated in urban areas is governed by the Administration Measures for Urban Buildings Leasing, or the Urban Buildings Leasing Measures. The Urban Buildings Leasing Measures were promulgated by the Ministry of Construction in May 1995 in accordance with the Real Property Law in order to strengthen the administration of the leasing of urban buildings. The Urban Buildings Leasing Measures permit property owners to lease their properties to others for residential or commercial property uses except as otherwise prohibited by relevant laws. The landlords and tenants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statutes. Leasing of buildings and the underlying land use rights must not exceed a maximum term of 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real property administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant's interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants.

The MOHURD promulgated the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) (the "Leasing Measures") on December 1, 2010, and according to the Leasing Measures, the parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent real estate authorities of the municipalities directly under the PRC central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The relevant real estate authorities are authorized to impose a fine below RMB1,000 on individuals, and a fine from RMB1,000 to RMB10,000 on other violators who are not natural persons and fail to comply with the regulations within the specified time limit. The Leasing Measures came into effect as of February 1, 2011 in replacement of the Administration Measures for Urban Buildings Leasing.

According to the Real Property Law, rental income derived from the lease of buildings and the underlying land use rights from a landlord who acquired only allocated land use rights without payment of consideration for such acquisition must be turned over to the State.

Financing property development and acquisition

According to the Notice of the People's Bank of China on Regulating House Financing Businesses (中國人民銀行關於規範住房金融業務的通知) promulgated by the PBOC on June 19, 2001, all banks must comply with the following requirements before granting residential development loans, individual house mortgage loans and individual commercial flat loans:

- Banks shall only grant housing development loans to property development enterprises with approved development qualifications and high credit ratings. Such loans shall be offered to residential projects with good market potential. The borrowing enterprise must have self-funded capital of no less than 30% of the total investment required for a project, and the project must have been issued with a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

- In respect of granting individual mortgage-backed home loans, the ratio between the loan amount and actual value of the security (the "mortgage ratio") must not exceed 80%. Where an individual applies for a home loan to buy a pre-sale property, the property must have achieved the stage of "topping-out of the main structure" for multi-story buildings or "two-thirds of the total investment completed" for high-rise buildings.

- In respect of the grant of individual commercial flat loans, the mortgage ratio must not exceed 60% with a maximum loan period of ten years and the relevant commercial flat must have already been completed.

The PBOC issued the Circular on Further Strengthening the Management of Property Loans (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgages and individual commodity buildings as follows:

- Property loans by commercial banks to property development enterprises shall be granted only in respect of a particular item of property development rather than to meet cash flow or other financing demands. Loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

- Commercial banks shall not grant loans to property development enterprises to pay off land premiums.

- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for an individual home loan for their first residential unit, the minimum first installment remains unchanged at 20%. In respect of a loan application for any additional purchase of a residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the Guidance on Risk Management of Property Loans from Commercial Banks (商業銀行房地產貸款風險管理指引) issued by the CBRC on September 2, 2004, any property development enterprise applying for property development loans shall have at least 35% of the capital required for the development.

According to the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (中國人民銀行關於調整商業銀行住房信貸政策和準備金存款利率的通知) promulgated by the PBOC on March 16, 2005, from March 17, 2005, in cities and areas where there has been a rapid increase in house prices, the minimum first installment for individual house loans increased from 20% to 30%. Commercial banks can independently determine the particular cities or areas under such adjustment according to the specific situation in different cities or areas.

On May 24, 2006, the State Council issued the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格的意見). The regulations relating to property credit are as follows:

- commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, such as having a project capital of less than 35%.

- for property development enterprises that have large volumes of idle land and vacant commodity buildings, the commercial banks shall, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit.

- the commercial banks shall not accept any commodity building that has been idle for three or more years as collateral for loans.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見), foreign-invested property enterprises which have not paid up their registered capital, failed to obtain a land use rights certificate, or which have less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE shall not approve the registration of foreign loans from such enterprises.

On September 27, 2007, the PBOC and the CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知) (the "2007 Notice"). The 2007 Notice puts forward requirements for the purpose of strengthening processes for loan management, including by means of credit checks, monitoring of real estate loans and risk management, in respect of (a) real estate development, (b) land reserves, (c) housing consumption, and (d) the purchase of commercial buildings.

Pursuant to the 2007 Notice, commercial banks shall not grant loans in any form, to (a) projects where the capital funds (owner's equity) constitute less than 35%, or, projects without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit; and (b) property development enterprises that have been hoarding land and housing resources, as detected and verified by land resources departments and construction authorities. Furthermore, commercial banks are not permitted to accept commodity buildings with a vacancy exceeding three years as collateral for a loan, and may not grant property development enterprises any loans for the payment of relevant land assignment premiums.

In respect of loans for individual housing consumption, commercial banks are only permitted to grant housing loans to individuals who purchase commodity buildings the construction of which have reached the "topping out of the main structure" stage. Where an individual purchases his or her first commodity apartment for personal residential purposes: (a) if a construction area is below 90 square meters, the minimum down payment shall be fixed at no less than 20%; and (b) if the construction area is above 90 square meters, the minimum down payment shall be fixed at no less than 30%. Where an individual has purchased a commodity apartment by means of such loan and proceeds to purchase a second (or more) home, the minimum down payment shall be no less than 40% and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during same period and in same bracket. Further, the minimum down payment and the interest rate shall both rise with the increase in the number of homes purchased, with the increased percentage rates to be determined by commercial banks, at their own discretion, according to principles of loan risk management. However, the monthly repayments for housing loans shall not exceed 50% of the individual borrower's monthly income.

In respect of commercial building loans, commercial buildings purchased by loan shall be buildings that have satisfied procedural requirements of completion inspection and acceptance. For such purchase, the minimum down payment shall be no less than 50%, the loan term shall not exceed ten years and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during the same period and in same bracket. Where a loan application is in connection with a commercial and residential building, the minimum down payment shall be no less than 45% and the loan term and interest rate shall be arranged according to relevant regulations.

The Supplemental Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的補充通知) (the "Supplemental Notice"), jointly issued by the PBOC and the CBRC and dated December 5, 2007, sets forth supplemental requirements in respect of strengthening housing consumption loan management, mainly including the following:

- assess the number(s) of housing loan with the borrower's family as the basic calculation unit;
- stipulate conditions under which the housing loan policy for first home buyers shall serve as the referential basis for bank loans; and
- where a family that has already purchased a commodity apartment via housing provident fund makes a housing-loan application to commercial banks, the requirements set forth in the Notice shall be duly satisfied in accordance with the Notice.

As stipulated in the Supplemental Notice, in the event an applicant is found to have presented false information and certifications, all commercial banks shall deem the loan application unacceptable.

Since the second quarter of 2008, the PRC government has implemented a series of policies intended to strengthen and improve the sound development of the real estate market.

On May 26, 2008, the CBRC issued the Notice on Further Strengthening Risk Management in the Provision of Credit to the Real Estate Market (關於進一步加強房地產行業授信風險管理的通知). To combat property development enterprises who (a) "falsify mortgages" by using forged property sale contracts; (b) process "falsified down payments" from borrowers by accepting initial repayments in the pre-sale stage, paying for buyers in advance or by other means; or (c) mislead banks about decisions over the provision of loans by forging their sale performances or house prices as well as other problems arising in the real estate market, the Notice requires each commercial bank to:

- strictly follow the policies and conditions related to the provision of loans to individuals;
- improve the monitoring of the qualifications of borrowers;
- rigorously examine the enterprise credit ratings of property development enterprises; and
- upon discovering that a property development enterprise has engaged in the "falsification of mortgages," "falsification of down payments," "forgery of house prices" or other such behavior, terminate the individual housing loans or development loans extended to such developer. Property development enterprises suspected of committing such crimes shall be referred to the judicial organs for further investigation.

On October 22, 2008, the People's Bank of China issued the Circular on the Expansion of the Downward Adjustment Range for Interest Rates of Commercial Individual Mortgage Loans and Related Issues (中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) which decreased the minimum down payment for residential property purchasers to 20% and reduced the minimum mortgage loan rates for such purchases to 70% of the benchmark interest rate starting from October 27, 2008.

On December 20, 2008, the General Office of the State Council issued Several Opinions on Promoting the Sound Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides the following regarding loans for property businesses:

- The purchase of regular commodity houses for residential purposes is to be encouraged. In addition to extending favorable interest rates and loan policies to first time buyers of apartments for self-residential purposes, individuals with an existing home in which the per person floor area is smaller than the local average may buy a second apartment for self residential purposes under favorable loan terms similar to those that apply to first-time buyers. If individuals purchase a second apartment or more for any other purpose, the interest rate shall be determined according to potential risks by commercial banks and based on the benchmark interest rate.

- The proper financing requirements for property development enterprises should be adhered to. Commercial banks shall increase credit financing services available to ordinary commercial housing construction projects, provide financial support and other related services to property development enterprises engaged in merger and restructuring activities, and support the approval of bond issuances by property development enterprises.

The State Council issued the Notice on Adjusting the Minimum Capital Requirement for Capital Funding for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009, which provides for the reduction of the minimum capital requirement for affordable residential housing projects and regular commodity residential houses from 35% to 20%, and for other property projects to 30%. When providing credit finance support and services, financial institutions shall determine, at their own discretion, whether to grant a loan and the amount of the loan having regard to the minimum capital requirement as determined by the state.

On June 19, 2009, the CBRC issued the Notice on Further Strengthening the Risk Management of Mortgage Loans (關於進一步加強按揭貸款風險管理的通知). With regard to current problems in the real estate market, particularly in the area of mortgage loans such as "falsified mortgages," "falsified down payments," "forged house prices" and the relaxed enforcement of criterion for "loans for a second house," the Notice reiterates the following requirements:

- banking institutions shall strictly carry out pre-lending credit check and tighten the criterion for granting a loan in order to prevent the occurrence of such behavior as "falsified mortgages," "falsified down payments," and "forged house prices";

- banking institutions shall proceed to focus on supporting the purchase by individuals of their first commodity house for self-residence purposes and shall not circumvent relevant restrictions with regard to the provision of loans for a second (or more) house by claiming that a national network for credit information collection is not available or that cross-regional investigations into the purchaser's background is difficult or onerous; and

- banking institutions are not entitled to decide the criterion for identifying "loans for a second house" or to lower the minimum down payment indirectly by any means.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities, pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 square meters. Further, the notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of the PBOC benchmark lending rate; and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially.

On May 26, 2010, the MOHURD, the PBOC and the CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account of the total number of residential properties owned by the household of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who can not provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the land-use purpose or nature use of land, postponing the construction commencement or completion date, hoarding or other noncompliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

In November 2010, MOHURD, the Ministry of Finance, CBRC and PBOC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that, among other things: (i) where a first-time house purchaser (including the borrower, his or her spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 square meters, the minimum down payment shall be at least 20%, (b) more than 90 square meters, the minimum down payment shall be at least 30%; (ii) for a second-time house purchaser using housing reserve loans, the minimum down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capital housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing reserve loans to families for their third and further residential property will be suspended.

On January 26, 2011, the State Council issued the Circular on Issues concerning Further Works of Regulation and Control of Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are either local residents or non-local residents that can provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase a second (or further) residential property, and purchasers (including their spouses and minor children) that are non-local residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase any residential properties. In order to implement the Circular, more than 40 cities, including Zhengzhou, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

Insurance of a property project

There are no mandatory provisions in PRC laws, regulations and government rules which require a property development enterprise to take out insurance policies for its property projects. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction. However, PRC commercial banks may require the property development enterprise to purchase insurance if the commercial bank intends to grant a development loan to the property development enterprise.

Environmental protection

Pursuant to the requirements of relevant laws and regulations such as the Appraisal Measures for the Impact on the Environment of the PRC (中華人民共和國環境影響評價法) implemented by the Standing Committee of the National People's Congress in September 2003, and the Regulations Governing Environmental Protection of Construction Projects (建設項目環境保護管理條例) implemented by the State Council in November 1998, property development enterprises and construction enterprises must carry out an appraisal of the impact the construction project will have on the environment. The relevant project shall not commence until approval is obtained from the supervisory body for environmental protection. While the project is in progress, the developer should also comply with the appraisal documents relating to the impact on the environment and implement the environmental protection measures set out in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted may go into operation or be available for use.

Construction safety

Under relevant laws and regulations such as the Laws for Safe Production in the PRC (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress in November 2002, the property development enterprise should apply to the supervisory department on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction works commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State.

Under the Construction Law of the People's Republic of China (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor.

Major Taxes Applicable to Property Developers

Corporate income tax

According to the CIT Law promulgated by National People's Congress on March 16, 2007, which came into effect on January 1, 2008, a uniform income tax rate of 25% is applied equally to domestic enterprises, as well as foreign investment enterprises. Pursuant to the CIT Law, dividends and interests payable to a foreign investor are subject to a 20% withholding tax unless the jurisdiction of incorporation for the foreign investor has a tax treaty with China that provides for a different withholding arrangement.

According to the Implementation Rules of the PRC on the CIT Law (中華人民共和國企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced income tax rate of 10% is applicable to any interest or dividends payable to non-PRC enterprise investors from foreign invested enterprises. The CIT Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually be transiting to the uniform tax rate within the transition period in accordance with implementing rules issued by the State Council. On December 26, 2007, the State Council issued the Circular to Implement the Transition Preferential Policies for the Enterprise Income Tax (關於實施企業所得稅過渡優惠政策的通知), under which, for those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007, the transition income tax rate should be 18%, 20%, 22%, 24% and 25%, respectively in 2008, 2009, 2010, 2011 and 2012.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), or the Avoidance of Double Taxation Agreement, dividend payments to shareholders in Hong Kong would be withheld at a rate of 5% if their investment ratio in invested entities in China is above 25%, or 10% if their investment ratio in invested entities in China is below 25%.

On December 10, 2009, the State Administration of Taxation issued the Circular on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises' Share Transfer (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), effective as of January 1, 2008, under which, where a foreign investor (actual controller) indirectly transfers equity interests in a Chinese resident enterprise by transferring the shares of the offshore holding company that is located in a country (jurisdiction) where the effective tax burden is less than 12.5%, or where the offshore income of the residents is not taxable, the foreign investor shall provide the relevant tax authority in charge with reports containing relevant information within 30 days of the transfers, and where a foreign investor (actual controller) indirectly transfers equity interests in a Chinese resident enterprise through the abuse of form of organization and there are no reasonable commercial purposes such that the corporate income tax liability is avoided, the tax authority shall have the power to re-assess the nature of the equity transfer in accordance with the "substance-over-form" principle and deny the existence of the offshore holding company that is used for tax planning purposes. "Income derived from equity transfers," as mentioned in this circular refers to income derived by non-resident enterprises from direct or indirect transfers of equity interest in China resident enterprises, excluding shares in Chinese resident enterprises that are bought and sold openly on the stock exchange.

Business tax

Pursuant to the Interim Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例) promulgated by the State Council on December 13, 1993, amended on November 10, 2008, and implemented on January 1, 2009, and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the MOF on December 25, 1993 and amended on December 15, 2008 and implemented on January 1, 2009, the tax rate applicable to the transfer of real properties, their superstructures and attachments is 5%.

Land appreciation tax

According to the requirements of the Provisional Regulations of The People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the "Land Appreciation Tax Provisional Regulations") which were promulgated on December 13, 1993 and came into effect on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) (the "Land Appreciation Tax Detailed Implementation Rules") which were promulgated and came into effect on January 27, 1995, any capital-gain from a transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. Deductible items include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for the development of the land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for the transfer of property; and
- other deductible items as specified by the MOF.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994 (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) issued by the MOF and the SAT on January 27, 1995, land appreciation tax shall be exempted under any of the following circumstances:

- the construction of ordinary standard residences for sale (i.e. the residences built in accordance with the local standards for residential properties, and deluxe apartments, villas, resorts etc. do not come under the category of ordinary standard residences) where the appreciation amount does not exceed 20% of the sum of deductible items;

- property is repossessed according to laws due to the construction requirements of the State;

- due to redeployment of work or improvement of living standard, individuals transfer self used residential property, in which they have been living for 5 years or more, subject to tax authorities' approval;

- transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred; and

- if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and capital was injected for development in accordance with the conditions agreed, the Land Appreciation Tax shall be exempted if the properties are transferred for the first time within 5 years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. The tax-free period may be prolonged subject to the approval of the MOF and the SAT for particular property projects which are approved by the government for the development of the whole lot of land and long-term development and in which the properties are transferred for the first time after the 5-year tax-free period.

On December 24, 1999, the MOF and the SAT issued the Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy (關於土地增值稅優惠政策延期的通知) which extended the period for the land appreciation tax exemption policy mentioned above to the end of 2000.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not require property development enterprises to declare and pay the land appreciation tax. Accordingly, the MOF, the SAT, the MOHURD and the MLR separately and jointly issued several notices to restate the following: after the land grant contracts are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay land appreciation tax in accordance with the amount as calculated by the tax authority. For those who fail to acquire proof of payment or exemption from land appreciation tax from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The SAT also issued the Notice on the Strict Handling of the Administration of the Collection of Land Appreciation Tax (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to: modify the management system of land appreciation tax collection; build up a sound taxpaying declaration system for land appreciation tax; and modify the methods of pre-levying tax for the pre-sale of properties. The Notice also pointed out that for property development contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the policy for exemption from land appreciation tax exemption for properties that are transferred for the first time is no longer in effect and the tax shall be levied again. This requirement is restated in the Notice on Strengthening of Administration of the Collection of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) and the Notice on Further Strengthening the Administration of the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued on August 2, 2004 and August 5, 2004, respectively, by SAT. These two notices also required that system for the declaration of land appreciation tax and the registration of the sources of the land appreciation tax should be further improved.

On March 2, 2006, the MOF and the SAT issued the Notice on Several Points on Land Appreciation Tax (關於土地增值稅若干問題的通知) to clarify relevant issues regarding land appreciation tax as follows:

- Standards for the transfer of ordinary standard residential houses. Where any development project includes ordinary residential houses as well as other commercial houses, the amount of land appreciation shall be verified for both commercial and residential houses, respectively. No adjustment shall be retroactively made to any application for tax exemption for ordinary standard residential houses that were filed with the tax authority at the locality of the property prior to March 2, 2006, especially for ordinary standard residential houses which had been exempted from land appreciation tax as according to standards determined by the people's government of a province, autonomous region or municipality directly under the Central Government.

- Standards for the collection and settlement of land appreciation tax:

  (i) All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.

  (ii) As to any tax that fails to be collected in advance within the advance collection term, overdue fines shall be collected as of the day following the expiration of the prescribed advance collection term according to the provisions of relevant tax collection and administration law.

  (iii) As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to settle its land appreciation tax obligation for the transferred property according to the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning.

  (iv) As to any investment that uses land (property) as payment for the purchase of shares, where an enterprise involved in the investment engages in property development or where any other property development enterprise invests in commercial houses it itself builds, it shall not be governed by the regulation of the interim exemption of land appreciation tax when the property (land) is transferred to the enterprise.

On December 28, 2006, the SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) (the "2007 LAT Notice") which came into effect on February 1, 2007.

Pursuant to the 2007 LAT Notice, a property development enterprise shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (a) the property development project has been completed and fully sold; (b) the property development enterprise transfers the whole uncompleted development project; or (c) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the property development enterprise to settle the LAT if any of the following criteria is met: (a) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the property development enterprise; (b) the project has not been completed sold more than three years after obtaining the sale permit or pre-sale permit; (c) the property development enterprise applies for cancellation of the tax registration without having settled the relevant LAT; or (d) other conditions stipulated by the tax authorities.

The 2007 LAT Notice also indicated that if any of the following circumstances applies to a property development enterprise, the tax authorities shall levy and collect LAT as per a levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (a) failure to maintain account books required by law or administrative regulation; (b) destroying account books without authorization or refusing to provide taxation information; (c) the accounts have not been properly maintained or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or the amount of deductible items; (d) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (e) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and the local situation.

On January 30, 2007, the Henan Local Taxation Bureau promulgated the Circular on Forwarding the Notice of the State Administration of Taxation on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於轉發國家稅務總局關於房地產企業土地增值稅清算管理有關問題的通知), which provides that:

- for taxpayers transferring land use rights or mainly transferring land use rights (sales prices for buildings accounting for less than 30%), the LAT will be settled by means of audit collection in principal;

- as to deductible items: (i) for a multi-complex building comprising ordinary standard residential housing as well as other houses (luxury houses, commercial complexes, commercial houses and office buildings), the appreciation amount and deductible items will be verified, respectively, according to applicable laws. If the separation of the residential and commercial parts of the multi-complex building is unclear and/or undefined, the residential part of a multi-complex building would not be eligible for the exemption available for ordinary standard residential housing; (ii) where the vouchers or materials relating to (a) the project expenditures at the early stages of the project, (b) construction and fitting expenditures, (c) infrastructure expenditures, and (d) indirect expenditures are non-compliant with the requirements for LAT settlement or untrue, the LAT will be levied by means of verification collection;

- the LAT rate for verification collection: 1.5% for ordinary standard residential housing; 5% for land use rights; 3.5% for other property projects (other than ordinary standard residential housing and land use rights). Transaction incomes of transferring ordinary standard residential housing, luxury houses, commercial complexes, commercial houses and office buildings shall be verified, respectively. If the aforesaid separation calculation would be unfeasible the highest rate shall apply;

- for a property developer who has adopted verification collection means, the verification rate shall be adjusted in accordance with the circular from February 1, 2007, and with respect to the land use rights transaction, the LAT shall be levied by means of audit collection. For a property developer who has adopted audit collection means, the LAT shall be settled according to the circular. From February 1, 2007, the LAT shall be settled or verified on project basis either by means of verification collection or audit collection for property developers; and

- from the implementation of the circular, the adjustment of the LAT collection methods shall be approved by the municipal tax authority directly under the provincial government.

On May 12, 2009, the SAT issued the Administrative Rules for the Settlement of Land Appreciation Tax (土地增值稅清算管理規程) (the "Settlement Rules"), which became effective on June 1, 2009. The Settlement Rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of the settlement of LAT to be carried out by relevant tax authorities.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) and temporarily exempted the LAT for individuals selling houses starting from November 1, 2008.

On May 19, 2010, the SAT issued the Circular on Issuers Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to calculation and settlement of the land appreciation tax, such as (i) the recognition of the revenue upon the settlement of LAT, and (ii) the deduction of fees incurred in connection with the property development.

On May 25, 2010, the SAT issued the Notice on Strengthening the Collection Land Appreciation Tax (關於加強土地增值稅征管工作的通知), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

Deed tax

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine their effective tax rates. Pursuant to the Implementation Provisions on Deed Tax in Henan (河南省契稅實施辦法) promulgated by the People's Government of Henan on October 21, 1999, the rate of deed tax within Henan is 4%.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) which announced that the deed tax for individuals buying their first regular commodity house with a floor area of less than 90 square meters shall be temporarily reduced to a unified rate of 1% starting from November 1, 2008.

On March 9, 2010, the Ministry of Finance, and the State Administration of Taxation further announced the Circular on Deed Tax Policy Relevant to First-time Purchase of Ordinary Residential Premises (關於首次購買普通住房有關契稅政策的通知) which stipulated that for two or more people collectively purchase a common housing with a GFA of less than 90 sq.m., and one or more of the buyers have house purchasing record before. The collective buyers of the captioned common house cannot enjoy the preferential deed tax policy applicable to first time purchaser.

On September 29, 2010, Ministry of Finance, State Administration of Taxation and Ministry of Housing and Urban-rural Development jointly announced the Circular on Revising the Preferential Policies for Deed Tax and Individual Income Tax Relating to Real Property Transactions (關於調整房地產交易環節契稅、個人所得稅優惠政策的通知) which stipulated that except for the two conditions of (1) the individual paying for the half of deed tax when purchasing the ordinary residential property that is the only property for the purchaser's family with certain range of the purchaser himself, spouse or minors children, definition same as below, and (2) the individual paying for the deed tax at the rate of 1% when purchasing the ordinary residential property under 90 sq.m., which is the only property of the purchaser's family, others shall not enjoy the preferential deed tax policy. In addition, for the individual income tax payer who had sold his self-owned residential property within a year and within that period buys a residential property again, his individual income tax will not be reduced or exempted.

Urban land use tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988, implemented on November 1, 1988 and amended on December 31, 2006, land use tax in respect of urban land is levied according to the area of relevant land. As of January 1, 2007, the annual tax on every square meter of urban land collected from foreign-invested enterprises shall be between RMB0.6 and RMB30.0.

Real Estate tax

Under the Interim Regulations of the People's Republic of China on Real Estate Tax (中華人民共和國房地產稅暫行條例) promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, real estate tax shall be levied at 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental payments for lease of the building.

According to the Circular Concerning the Levy of Real Estate Tax on Foreign Enterprises and Foreigners (關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the MOF on January 12, 2009, and the Circular Concerning the Implementation of the Levy of Real Estate Tax on Foreign-Invested Enterprise and Foreign Individuals (關於做好外資企業及外籍個人房產稅徵管工作的通知) issued by the SAT on January 6, 2009, from January 1, 2009, domestic and foreign-invested enterprises and foreign individuals will all be subject to the Interim Regulations of the People's Republic of China on Real Estate Tax.

Stamp duty

Under the Interim Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) and temporarily exempted stamp duty for individuals selling or buying houses starting from November 1, 2008.

Municipal maintenance tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the SAT on February 25, 1994, the municipal maintenance tax shall not be applicable to foreign invested enterprises with foreign investment until further notice is issued by the State Council.

In October 2010, the State Council issued the Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the MOF and the SAT in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurrent before December 1, 2010.

Education surcharge

Under the Interim Provisions on the Imposition of the Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知). Under the Supplementary Notice Concerning Imposition of Education Surcharge (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設税和教育費附加的通知) issued by the SAT on February 25, 1994, the education surcharge shall not be applicable to enterprises with foreign investment until further notice is issued by the State Council.

Pursuant to the aforesaid Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知), pursuant to which, from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the aforesaid Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises (關於對外資企業徵收城市維護建設税和教育費附加有關問題的通知), foreign-invested enterprises must pay an education surcharge on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurrent before December 1, 2010.

Measures on stabilizing housing prices

The General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Stabilizing the Prices of Residential Properties (關於做好穩定住房價格工作的意見), which provides that:

(a) Intensifying planning and control and improving the housing supply structure

Where there is excessive growth in housing prices and insufficient supply of medium to low priced commodity houses and affordable residential housing, housing construction should mainly involve projects for the development of medium to low priced commodity houses and affordable residential houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to projects for the construction of medium-or-low-price commodity houses, prior to the assignment of land, the municipal planning authority shall, according to control planning, set forth conditions for the plan and design of such elements as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth requirements such as sale price, type and area. Such conditions and requirements will be set up as preconditions to the assignment of land to ensure an adequate supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not been commenced within two years must be re-examined, and those that turn out to be noncompliant will have their planning permits revoked.

(b) Intensifying control over the supply of land and rigorously enforcing the administration of land

Where there is rapid excessive growth in the price of land for residential use, the proportion of land for residential use to the total land supply should be raised, and the land supply for the construction of regular commodity housing at medium or low prices and affordable residential housing should be increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted.

On May 24, 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

(a) Adjustment to the housing supply structure

- The construction of medium and small-sized regular commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents.

- From June 1, 2006, for each and every commodity building newly examined and approved for the commencement of construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 square meters must reach 70% of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial capital cities must submit the special request for adjusting proportion to the MOHURD for approval. The projects that have been examined and approved but have not received a construction works commencement permit shall where necessary adjust the set style of housing according to the above-mentioned requirements.

(b) Adjustment to tax, credit and land policies

- Commencing June 1, 2006, business tax applicable to the transfer of a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price;

- In order to restrain property development enterprises from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35% of capital required for the project development. Commercial banks should restrict the grant or extension of revolving credit facilities in any form to property development enterprises with a large amount of idle land and/or vacant commodity buildings. Commodity buildings which are vacant for more than 3 years should not be accepted as a guarantee by the commercial banks;

- From June 1, 2006, the first installment of individual house loans should be no less than 30%. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90 square meters, the first installment remains at 20%;

- At least 70% of the land supply for residential property developments must be used for low-to-medium-cost and small to medium-size units and low-cost rental properties. On the basis of the restriction of price and housing style, the land supply shall adopt the method of competitive bidding of land price and housing price to determine the property development enterprise. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly prohibited;

- When construction has not yet started one year after the construction commencement date agreed in the land use rights assignment contract has elapsed, charges for idle land should be collected at a higher level; when the construction has not started two years after the construction commencement date agreed in the land use rights assignment contract have elapsed, the right to use land can be taken back without compensation. The land will be regarded as idle land if: the development and construction of the land has started on time, but the developed area is less than one third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction has been continuously suspended for no less than one year without approval.

(c) *Further rectifying and regulating the property market*

- Any project with a construction land planning permit which has not started construction should be re-evaluated. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction works planning permit, the construction works commencement permit and the pre-sale permit should not be issued. Projects which have been altered or the construction of which have exceeded the provisions shall be disposed of or confiscated according to law.

- The property administration authority and the administration of industry and commerce should investigate any illegal conduct such as contract fraud. Illegal conduct involving commodity building pre-completion sales without the necessary conditions should be ordered to stop and punished. With respect to the property enterprises that store up housing and maliciously manipulate and raise housing prices, the competent authorities shall enforce monetary punishment according to laws and regulations, and the responsible persons concerned may have their business licenses revoked and/or shall be investigated and prosecuted.

To implement the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, the MOHURD promulgated Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- From June 1, 2006, in any city (including counties), housing with a floor area of less than 90 square meters should reach 70% of the total floor area of commercial commodity buildings newly approved or constructed.

- The governments should guarantee the conditions of planning and design of newly-built commodity buildings meet the requirements of structure and proportion. Any digression from the above-mentioned requirements without authorization is forbidden and a construction works planning permit should not be issued by municipal planning and authorities. If there is any noncompliance with the planning permit, a construction works commencement permit should not issued by the construction authority and a permit for pre-sale of commodity buildings should not be issued by property development authority.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development (國務院辦公廳關於當前金融促進經濟發展的若干意見), issued by General Office of the State Council on December 8, 2008, the State Council (a) implemented and promulgated relevant credit policies and measures to support people's purchase of their first ordinary home or improved ordinary home; (b) provided more credit support for the construction of low rent houses and affordable residential houses and the reconstruction of shed areas for low-income urban residents; and (c) initiated the pilot operation of real estate trust investment funds to diversify the financing channels of real estate enterprises.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of the Property Market (關於促進房地產市場平穩健康發展的通知), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide reasonable guidance for the purchase of property, restrain speculative investment in property, and strengthen risk prevention and market supervision. Additionally, the Circular explicitly requires a family (including a borrower, his or her spouse and children under 18) who have already entered into a mortgage for the purchase of a house to pay a minimum down payment of 40% of the purchase price of a second or any additional house which they apply to purchase.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities, pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, the notice stipulates that interest rates for mortgage loans for the second property cannot be lower than 110% of the PBOC benchmark lending rate and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond. On September 29, 2010, the Ministry of Finance, SAT and MOHURD jointly issued the Notice to Adjust the Preferential Policies on Deed Tax and Individual Income Tax Regarding Real Estate Transaction (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), according to which, as of October 1, 2010, the deed tax for individuals who purchased ordinary residential property with floor area under 90 sq.m. as his sole family residence, will be reduced to 1 percent, and those who sell their homes and buy new ones within one year would not be eligible for reductions or exemptions on individual income tax on the profits from the sales.

On January 26, 2011, the General Office of the State Council promulgated the Circular on Issues Concerning Further Works of Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作的有關問題的通知), as the general rule, municipalities, provincial capitals and cities with high housing prices shall make purchase restrictions for a specified period. In principle, (a) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one house (including the new commodity residential house or a second hand one); and (b) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses and a non-local residential family that cannot provide the local payment of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses.

On January 27, 2011, the MOF and the SAT jointly issued a new Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner's purchase. This notice became effective on January 28, 2011.

MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this offering memorandum.

Name	Age	Position/Title
Wu Po Sum	62	Chairman and Executive Director
Yan Yingchun.	53	Executive Director
Lim Ming Yan	49	Vice-Chairman and Non-executive Director
Lucas Ignatius Loh Jen Yuh . . .	46	Alternate Non-executive director to Mr. Lim Ming Yan
Leow Juan Thong Jason	46	Non-executive Director
Wallis Wu	30	Non-executive Director
Hu Yongmin.	42	Non-executive Director
Cheung Shek Lun	51	Independent Non-executive Director
Wang Shi.	62	Independent Non-executive Director
Xin Luo Lin	63	Independent Non-executive Director
Chen Jianye	56	Chief Executive Officer
Hu Bing.	36	Chief Financial Officer
Vinh Mai	38	Head of Investor Relations and Chief Investment Officer
Wong Tak Chun	31	Finance Manager and Company Secretary

Directors

Executive Directors

Wu Po Sum (胡葆森) (formerly known as Hua Jianming 滑建明), age 62, is the founder, chairman and an executive Director of our Company, and he is also a director of a number of subsidiaries of our Company. Mr. Wu is responsible for the formulation of development strategies, making decisions on investment projects and development directions of our Group. He graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School on March 27, 2005. Mr. Wu is the father of Ms. Wallis Wu, a non-executive Director of our Company. Mr. Wu has over 20 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan Province to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited ("CCIET"). From 1986 to 1988, Mr. Wu worked as the president and the general manager in Guoguang Industrial Company Limited, a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited and Central China Overseas Development Company Limited, respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for our Group and established the "建業" (*Jian Ye*) brand name. Mr. Wu devotes himself not only to the development of our business, but also to public services and promoting the PRC real estate industry. In 2005, he was recognized as the "Most Influential Person in the China Real Estate Industry for the Last 15 Years" and one of the "Most Respectable Entrepreneurs in Henan." In 2006, he was selected as one of the "2006 Representative Figures of Zhengzhou City." He was recognized as one of the "Most Influent Persons in China's Real Estate Industry for the Last 30 Years" in Boao Real Estate Forum in June 2008 and an "Annual Leader of China's Real Estate Industry" by 2010 China New Vision of Real Estate Summit in January 2010. Currently, Mr. Wu is the vice-president of the Federation of Industry and Commerce of Henan and a part-time professor of business administration in Zhengzhou University.

Yan Yingchun (閻穎春), age 53, is the head of the Board's office and an executive Director of our Company. She is also a director of a number of subsidiaries of our Company. Ms. Yan is responsible for the day-to-day operation of the Board and internal audit of our Group. She obtained a Diploma of Accounting from Zhongnan Financial and Economic University in 1986 and qualified as a senior accountant in the PRC in 2000. Ms. Yan has over 20 years of experience in financial management. Before joining the Group in February 1992, she worked in the Financial Section of Zhengzhou Hardware and Electric Appliance Company Limited as the deputy manager from 1985 to 1988. From 1988 to 1991, Ms. Yan served as the deputy general manager of the Finance Department of Central China

Overseas Development Company Limited. She has served in the posts of finance manager, human resources manager, assistant to general manager, accountant in chief, vice-president and chief financial officer of CCRE China since joining the Group.

Non-executive Directors

Lim Ming Yan (林明彥), age 49, is the vice-chairman of the Board and a non-executive Director of our Company, and is also a director of a number of subsidiaries of our Company. Mr. Lim obtained a Bachelor of Science degree in Mechanical Engineering and Economics from the University of Birmingham, UK, in 1985 and attended the Advanced Management Program at Harvard Business School in 2002. He has over 15 years of experience in real estate development and investment and is currently the chief operating officer of CapitaLand Group ("CapitaLand"). Mr. Lim is also the Deputy Chairman of the CapitaLand China Executive Committee, which coordinates and aligns CapitaLand's investments, operations, branding and resources in China. Prior to this, he was the chief executive officer of The Ascott Limited (resigned on February 6, 2012), a wholly-owned serviced residence business unit of CapitaLand and the chief executive officer of CapitaLand China Holdings Pte Ltd, responsible for growing CapitaLand into one of the leading foreign real estate developers in China. For his contribution to the city of Shanghai, Mr. Lim was twice conferred the "Magnolia Silver Award" and the "Magnolia Gold Award" by the Shanghai Municipal Government in 2003 and 2005. He has also been the deputy chairman of Beijing Association of Enterprises with Foreign Investments since September 2005. Mr. Lim was presented the Outstanding Chief Executive (Overseas) of the Year 2006 of the Singapore Business Awards. He has been a non-executive director in Lai Fung Holdings Limited, a company listed on the Hong Kong Stock Exchange and a non-executive director in Capitamalls Asia Limited, a company listed on the Hong Kong Stock Exchange. Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim's alternate director on March 22, 2010.

Lucas Ignatius Loh Jen Yuh (羅臻毓), age 46, is an alternate non-executive Director of our Company, and is also the Deputy Chief Executive Officer, Chief Investment Officer and the Regional General Manager (South China) of CapitaLand (China) Investment Co., Ltd. ("CapitaLand Investment"), a wholly-owned subsidiary of CapitaLand China which in turn is an indirect wholly-owned subsidiary of CapitaLand ("CapitaLand," together with its subsidiaries, the "CapitaLand Group"). Mr. Loh oversees CapitaLand China's investment and asset management activities in China and concurrently its South China business and operation management. He has more than 10 years' experience in China's real estate market. Mr. Loh joined the CapitaLand Group in 2001. Prior to his current appointment in July 2007 with CapitaLand Investment, Mr. Loh was the Managing Director of The Ascott Group Limited (now known as The Ascott Limited) in China. The Ascott Limited is a wholly-owned subsidiary of CapitaLand. Prior to joining the CapitaLand Group, Mr. Loh was an Associate Director for Private Equity Investment at Temasek Holdings (Private) Limited covering the North Asia Region. Mr. Loh began his career in 1991 as a real estate appraiser in Singapore. He obtained a Bachelor of Science (Estate Management) Degree from National University of Singapore in 1991 and a Master's Degree in Business Administration from Oklahoma City University in 1999.

Leow Juan Thong Jason (廖茸桐), age 46, is a non-executive Director of our Company and a director of a number of subsidiaries of our Company. Mr. Leow is currently the chief executive officer of CapitaLand (China) Investment Co. He became a Certified Public Accountant in Singapore in 1994. Mr. Leow obtained an Executive Master degree in Business Administration from Fudan University and also attended the Advanced Management Program at Harvard Business School in 2007. He has over 17 years of experience in real estate investment. Prior to joining CapitaLand in 2001, Mr. Leow was a financial analyst at ST Aerospace Ltd and worked in DBS Finance Ltd for three years. He worked in The Ascott Group from 1994 to September 2001, mainly participating in property investment and development in the mainland of China.

Wallis Wu (李樺), alias Li Hua, age 30, is a non-executive Director of our Company and a director of a number of subsidiaries of our Company. Ms. Wu obtained a Bachelor of Architecture degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd in Sydney Australia in 2005. Ms. Wu is the daughter of Mr. Wu Po Sum, the chairman of the Board.

Hu Yongmin (胡勇敏), age 42, is a non-executive Director of our Company. Mr. Hu graduated from Fudan University, he is one of the co-founders and managing director of FountainVest. Prior to the founding of FountainVest, Mr. Hu was a managing director at Temasek Holdings. He was also a member of Temasek global investment committee, and head of its real estate investment. Previously an investment banker, Mr. Hu was a director and head of China telecom, media and technology investment banking for Credit Suisse and Shanghai Chief Representative for Bear Stearns. From November 2005 to November 2006, he was the non-executive director of Hopson Development Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Hu is a non-executive director in L.K. Technology Holdings Limited, a company listed on the Hong Kong Stock Exchange and the independent director of Home Inns & Hotels Management Inc., a company listed on National Association of Security Dealers Automated Quotations ("NASDAQ").

Independent Non-executive Directors

Cheung Shek Lun (張石麟), age 51, is an independent non-executive Director of our Company. Mr. Cheung obtained a bachelor degree in Business Administration from the Chinese University of Hong Kong in 1986, a bachelor degree in Business from the University College of Southern Queensland in 1990, and a bachelor degree in Law from the University of Wolverhampton in 2002. Mr. Cheung worked as an assistant assessor at the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant at Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president - accounting and other positions at Fortune (Shanghai) Limited from May 1990 to September 2006. He was a senior executive of T.C.C. International Limited from October 2006 to October 2007 and vice-chairman of InsiteAsset Management Group Ltd. since September 2008. Currently he is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Institute of Chartered Secretaries and Administrators in the UK and a member of The Hong Kong Institute of Chartered Secretaries. Mr. Cheung was appointed as an independent non-executive Director in January 2008.

Wang Shi (王石), age 62, is an independent non-executive Director of our Company. He obtained a bachelor degree in Water Supply Studies from Lanzhou Transportation University in 1977. Mr. Wang has almost 20 years of experience in real estate development. He worked in the Guangzhou Railway Bureau from 1978 to 1980, Guangdong Provincial Committee from 1981 to 1983 and Shenzhen Special Region Development Company from 1983 to 1984. Mr. Wang founded Shenzhen Exhibition Centre of Modern Science and Education Equipment, the predecessor of China Vanke Co. Ltd in 1984 and acted as the general manager. He held the office of general manager of China Vanke Co. Ltd from 1988 to 1999, and has been the chairman of China Vanke Co. Ltd since 1988. Mr. Wang was appointed as an independent non-executive director of Sohu.com Inc., a company listed on the NASDAQ, since May 2005 and has also served as an independent non-executive director of China Resources Land Limited, a company listed on the Hong Kong Stock Exchange and an independent non-executive director of Modern Media Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Wang was appointed as an independent non-executive Director in January 2008.

Xin Luo Lin (辛羅林), age 63, is an independent non-executive Director of our Company. He is a postgraduate from the Beijing University in the PRC. Mr. Xin was a visiting scholar at the Waseda University, Japan, between 1980 and 1983, an honorary research associate at the University of British Columbia, Canada during 1983 and 1984 and a visiting fellow at the Australia National University, Australia, in 1985. He is an independent investor with over 20 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a Senior Advisor to Potter Warburg, Australia, from 1985 to 1989 and to Citic-Hambros, Australia, from 1995 to 1997. Mr. Xin is a Justice of Peace in New South Wales of Australia. Mr. Xin is an independent non-executive director of Enerchina Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Xin is also an independent non-executive director of Sinolink Worldwide Holdings Limited, a company listed on the Hong Kong Stock Exchange. He serves as a director of Mori Denki Mfg. Co., Ltd., a company listed on the Tokyo Stock Exchange. Mr. Xin serves as a director and vice chairman of Oriental Technologies Investment Limited, a company listed on the Australian Stock Exchange. In addition, Mr. Xin is also a non-executive director of Asian Capital Holdings Limited, a company listed on the Hong Kong Stock Exchange.

Senior Management

Chen Jianye (陳建業), age 56, is the chief executive officer of our Company. Mr. Chen has been the chief operating officer of the Company since December 27, 2011. He joined the Group in 2007 and held a number of positions in the Group including director, executive vice president and general manager, and president of our Investment Development Centre. He obtained a bachelor degree in Engineering from Heilongjiang College of Commerce in 1982 and a Master degree in Business Administration from China People's University in June 1998. Mr. Chen was a deputy manager of the office and the head of the science and technology department of Zhengzhou Oil Company from 1982 to 1987, a deputy director of the enterprise management department of China Construction Bank Corporation in Henan Province, a project assessment director and a general manager of China Construction Bank Corporation, Anyang Branch from 1988 to 2002, and a general manager of Henan High-tech Venture Investment Holdings Limited from 2003 to 2006.

Hu Bing (胡冰), age 36, is the chief financial officer of our Company. Mr. Hu is a Certified Public Valuer and obtained a Master's degree in Business Administration from Guanghua School of Management of Peking University in 2004. He joined the Group in 2004. After Mr. Hu joined the Group, he has held a number of positions including Assistant to the General Manager, Deputy General Manager, General Manager, Deputy Director (Project Management) of Financial Management Center, Director of Financial Management Center and General Manager of (Budget Planning Department), Vice President of the Group and General Manager of Financial Management Center (responsible for the finance and cost center), and Vice President of the Group and General Manager of Financial Management Center. Prior to joining the Group, Mr. Hu was a Project Manager in Shenzhen Sinocoms Appraisal Company Limited from 1997 to 2001 and worked in Beijing Zhongdingxing Financial Consulting Limited from 2001 to 2002.

Vinh Mai, age 38, is the Head of Investor Relations and CIO of our Company. He obtained a bachelor degree with honors in Econometrics and Economics from the University of Sydney. Mr. Mai has over 10 years of investment experience. Previously, he had held senior positions in various investment management companies in Australia. Mr. Mai has been the Head of Investor Relations of our Company since September 2010 and was promoted to Chief Investment Officer in August 2011.

Wong Tak Chun (黃德俊), age 31, is the finance manager and company secretary of our Company. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong obtained a bachelor degree in Economics from the University of British Columbia. Prior to joining our Group as a finance manager in May 2010, Mr. Wong worked in KPMG since August 2005. Mr. Wong was appointed the company secretary of our Company, effective December 27, 2011.

Audit Committee

Our Company established an audit committee on May 12, 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company. The audit committee comprises three members, namely, Mr. Cheung Shek Lun and Mr. Xin Luo Lin who are independent non-executive directors and Mr. Leow Juan Thong Jason who is a non-executive director. The audit committee is chaired by Mr. Cheung Shek Lun.

Remuneration Committee

Our Company established a remuneration committee on May 12, 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of the chief executive officer and other executive directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management. The remuneration committee comprises three members, namely, Mr. Wu Po Sum, Mr. Cheung Shek Lun and Mr. Xin Luo Lin. The remuneration committee is chaired by Mr. Wu Po Sum.

Covenant Compliance Team

On October 13, 2010, we entered into the 2010 Indenture pursuant to which we issued the 2010 Notes. See "Description of Other Material Indebtedness — 2010 Notes" for more information. We breached certain provisions of the 2010 Indenture as a result of lapses in our covenant compliance procedures. Holders of the 2010 Notes have waived these defaults pursuant to a consent solicitation completed in March 2012. Following the discovery of the breaches, we established a covenant compliance team consisting of staff from our finance department and company secretarial department and chaired by our chief financial officer. We have also engaged special U.S. counsel to assist us with covenant compliance matters. The covenant compliance team meets on a monthly basis and reports to the chief executive officer.

Compensation of Directors and Senior Management

The aggregate amount of fees, salaries, housing allowances, other allowances and benefits in kind (including our contribution to the retirement scheme) paid to our Directors by our Group for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were approximately RMB13.5 million, RMB14.7 million, RMB13.9 million and RMB7.6 million (US$1.2 million), respectively. In addition, our executive Directors are entitled to share options granted under the Pre-IPO Share Option Scheme.

Share Option Schemes

We have conditionally adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") on May 14, 2008. We had granted share options to subscribe for an aggregate of 32,000,000 Shares under the Pre-IPO Share Option Scheme to our directors, senior managerial staff, consultants and employees. The Pre-IPO Share Option Scheme was terminated on May 28, 2008. The share options granted under the Pre-IPO Share Option Scheme but not yet exercised will continue to be valid and exercisable in accordance with the terms of the Pre-IPO Share Option Scheme, and will expire on May 13, 2013. As of June 30, 2012, share options to subscribe for 26,193,860 Shares under the Pre-IPO Share Option Scheme remained outstanding.

We adopted a Post-IPO Share Option Scheme (the "Post-IPO Share Option Scheme") on May 14, 2008, pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group. We conditionally granted certain share options to our directors and employees on May 25, 2010 and July 25, 2011, respectively, pursuant to the Post-IPO Share Option Scheme. As of June 30, 2012, share options to subscribe for an aggregate of 27,441,000 Shares under the Post-IPO Share Option Scheme remained outstanding.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding Shares as of June 30, 2012 by those persons who beneficially own more than 5% of our outstanding Shares, as recorded in the register maintained by us pursuant to the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Name	Ordinary shares beneficially owned	
	Number	**%**
Joy Bright(1)	1,146,315,639	47.21
Mr. Wu Po Sum(1)	1,154,876,059	47.56
CapitaLand LF (Cayman) Holdings Co., Ltd. ("CapitaLand (Cayman)")(2)	658,116,228	27.11
CapitaLand China Holdings Pte Ltd ("CapitaLand China")(2)	658,116,228	27.11
CapitaLand Residential Limited ("CapitaLand Residential")(2)	658,116,228	27.11
CapitaLand Limited ("CapitaLand")(2)	658,116,228	27.11
Temasek Holdings (Private) Limited(2)	658,116,228	27.11
FV Green Alpha Two Limited ("FV Green")(3)	298,566,476	12.30

Notes:

(1) Mr. Wu Po Sum holds 100% of the entire issued share capital of Joy Bright and is deemed to be interested in the 1,146,315,639 Shares held by Joy Bright for the purposes of the Securities and Futures Ordinance. In addition, Mr. Wu Po Sum has personal interest in 8,560,420 Shares pursuant to the share options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

(2) CapitaLand (Cayman) is directly wholly owned by CapitaLand China, CapitaLand China is directly wholly owned by CapitaLand Residential and CapitaLand Residential is directly wholly owned by CapitaLand. Temasek Holdings (Private) Limited has an interest in approximately 40.9% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand Residential, CapitaLand and Temasek Holdings (Private) Limited is deemed or taken to be interested in all the Shares which are owned by CapitaLand (Cayman) for the purposes of the Securities and Futures Ordinance.

(3) On August 5, 2009, we entered into a subscription agreement with FV Green (the "Subscription Agreement") relating to the issue and subscription of the 2009 Convertible Bonds with Warrants. On June 28, 2011, the conversion price of the 2009 Convertible Bonds was adjusted from HK$3.1 to HK$2.984 per Share and the exercise price of the Warrants was adjusted from HK$4.1 to HK$3.947 per Share as a result of the 2011 Rights Issue. Based on the conversion price of HK$2.984 per Share and assuming full conversion of the 2009 Convertible Bonds held by FV Green at such conversion price, the 2009 Convertible Bonds held by FV Green will be convertible into 230,227,882 Shares (the "Conversion Shares"). The Warrants entitle FV Green to subscribe for a maximum of 68,338,594 Shares (the "Warrant Shares") at the exercise price of HK$3.947 per Share. As of June 30, 2012, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to FV Green.

RELATED PARTY TRANSACTIONS

The following table and discussion described certain material related party transactions between our Company and our directors, executive officers and controlling shareholders and, in each case, the companies with whom they are affiliated during the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. For more information, see notes 36 and 37 to our audited consolidated financial statements as of and for the years ended December 31, 2010 and 2011 and note 25 to our unaudited interim financial statements for the six months ended June 30, 2012.

	2009	2010	2011	For the six months ended June 30, 2012
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of properties[1]	93,978	—	—	—
Interest income from jointly controlled entities[2]	—	—	23,823	22,997
Interest income from a prior jointly controlled entity[3]	—	—	2,794	—
Interest income from non-controlling interests[4]	—	—	4,451	5,084
Interest income from related parties[5]	—	—	—	6,125
Property management fee income from jointly controlled entities[6]	—	—	38,564	5,000
Interest expenses to jointly controlled entities[7]	—	(21,695)	(59,609)	(20,676)
Interest expenses to non-controlling interests[8]	(7,366)	(3,590)	—	(1,810)
Management fee to trust manager of jointly controlled entity[9]	—	—	—	(7,163)
Rental expenses to a related company[10]	(461)	(336)	—	—

Notes:

(1) For more detail, see "Disposal of Certain Retail Units and Car Parking Spaces in the Landmark (Zhengzhou) Project" below.

(2) This amount represents our interest income from our advances to our jointly controlled entities.

(3) This amount represents our interest income from our advances to a prior jointly controlled entity, which has subsequently become one of our subsidiaries.

(4) This amount represents our interest income from our advances to our minority shareholders of our non-wholly owned subsidiaries.

(5) This amount represents our interest income from our advances to our related parties.

(6) This amount represents our income from project management fee we charged our jointly controlled entities.

(7) These amounts represent interest expenses in relation to loans from Bridge-CCRE Trust II.

(8) The amount represents interest expenses in relation to advances from non-controlling interests, which was unsecured and interest bearing at 12.0% per annum and which was settled in 2010.

(9) This amount represents our trust management fee paid to the trust manager of our jointly controlled entity.

(10) For more detail, see "Rental Expenses" below.

Disposal of Certain Retail Units and Parking Spaces in the Landmark (Zhengzhou) Project

On May 1, 2008, pursuant to a legally binding framework agreement (the "Framework Agreement") entered into between CCRE China and Farsighted International Limited, CCRE China sold certain retail units of the shopping mall of the Landmark (Zhengzhou) together with several parking spaces to a project company (the "Purchaser") established by Farsighted International through one transaction in 2008 for a consideration of RMB296.2 million and another transaction in 2009 for a consideration of RMB94.0 million. The Purchaser was established in the PRC on July 25, 2008 by Farsighted International Limited.

Rental Expenses

During the years 2009 and 2010, our Group rented offices from a related company, in which Mr. Wu Po Sum has a significant interest. The rental expenses amounted to RMB0.5 million and RMB0.3 million, respectively, during the years 2009 and 2010. The lease was terminated in 2010.

To fund our existing property projects and to finance our working capital requirements, we have entered into financing arrangements with various financial institutions. As of June 30, 2012, our total outstanding borrowings, including without limitation, the 2009 Convertible Bonds with Warrants, the 2010 Notes and the 2012 Notes, totaled RMB6,801.8 million (US$1,070.6 million). We set forth below a summary of the material terms and conditions of these loans and other material indebtedness.

PRC Bank Loans

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including, without limitation, Bank of China, China Construction Bank, Agricultural Bank of China, Shanghai Pudong Development Bank and Kaifeng Bank of Commerce. These loans typically are secured project loans to finance the construction of our projects and have terms ranging from one year to three years. As of June 30, 2012, the aggregate outstanding amount under these loans totaled approximately RMB1,654.8 million (US$260.5 million), of which RMB1,225.8 million (US$192.9 million) was due within one year, RMB270.4 million (US$42.6 million) was due between one and two years, and RMB158.6 million (US$25.0 million) was due between two and five years. Our PRC bank loans are typically secured by land use rights and properties and/or guaranteed by CCRE China, our wholly owned subsidiary, and most land use rights owned by us have been mortgaged to secure our PRC bank loans. The Notes and the Subsidiary Guarantees will be structurally subordinated to these loans and any other indebtedness incurred by our PRC Subsidiaries.

Interest

The principal amounts outstanding under the PRC bank loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual review by the lenders. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2012, the interest rate on our PRC bank loans ranged from 5.3% to 7.3% per annum.

Covenants

Under these PRC bank loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- making amendments to their constitutional documents in a way that may adversely affect their ability to repay their loans;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing of assets;
- transferring of a substantial equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

Dividend Restrictions

Pursuant to certain loan agreements with Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, and Anyang Bank, some of our PRC subsidiaries have agreed not to distribute any dividends (or not to do so without notifying the lenders):

- if the borrowers' after-tax net profit is nil or negative or insufficient to cover losses from the previous accounting periods; or
- if the borrower's profit before tax in the relevant accounting period has not been used to pay off the principal, interest or other related expenses due in that accounting period or is insufficient to cover the principal, interest or other related expenses due in next period; or
- before the debt service schedules are met; or
- before the principal amount of and accrued interest on the relevant loans have been fully paid.

Events of Default

The PRC bank loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. The lenders are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the PRC bank loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over the land use rights relating to the relevant projects. As of June 30, 2012, RMB1,612.8 million (US$253.9 million) of our PRC bank loans were secured by mortgages over land use rights and properties owned by our subsidiary borrowers.

Other PRC Loans

Bridge-CCRE Trust I, II, III and IV

With a view to setting up real estate trust funds with a total target size of RMB3,000 million, CCRE China entered into a strategic cooperation agreement with Bridge Trust on May 18, 2010 to set up the Bridge-CCRE Trust I, a real estate trust fund with a total trust capital of RMB669.5 million. CCRE China has contributed RMB167.4 million and the remaining RMB502.1 million was raised from public subscription.

In April 2011, CCRE China entered into a strategic cooperation agreement with Bridge Trust, under which Bridge Trust established the Bridge-CCRE Trust II with the trust capital of RMB1,077.6 million, of which RMB808.2 million are preferred units and RMB269.4 million are ordinary units. We subscribed all the ordinary units and provided a guarantee return of 8.5% per annum to the holders of the preferred units.

In April 2012, CCRE China entered into a strategic cooperation agreement with Bridge Trust, under which Bridge Trust established the Bridge-CCRE Trust III and Bridge-CCRE Trust IV with a combined trust capital of RMB900 million. We agreed to provide a guarantee on return of 10% per annum for both Bridge-CCRE Trust III and Bridge-CCRE Trust IV.

Investments of all four trusts may be carried out in the form of equity investment via capital injection into our onshore project subsidiaries or new joint ventures established with us, provided that the equity holding by the relevant trust in each of such project companies and joint ventures shall not exceed 50%. In addition, the trust capital of Bridge-CCRE Trust I and II may be invested in the sovereign and company debts, trust products and any other financial products as approved by the CBRC. Within the first six months of establishment of these trusts, their respective trust capital may be advanced to CCRE China or its subsidiaries as interest-bearing loans.

CCRE has agreed to guarantee minimum returns of 7.5%, 8.5%, 10% and 10% per annum in respect of Bridge-CCRE Trust I, II, III and IV, respectively, and will make up any shortfall of the actual trust income from the minimum trust return provided pursuant to the agreements. These trusts may exit from a project when the total project GFA sold achieves 90% of the total completed GFA, or upon the expiration of the 57th month following inception of the trust. Bridge-CCRE Trust II, III and IV may also exit from a project upon the decision of the investment committee, or upon the decision of CCRE China at the expiration of the 33rd month following inception of the trust. However, if there is a material accident or suspension of project construction, then, under the agreements of any of these four trusts, CCRE China undertakes to purchase the investment of the trust in the relevant project at a price equivalent to 115% of the total investment made by the trust in such project. If any of these four trusts is terminated due to our default, CCRE China shall purchase all the assets in the trust at a price equivalent to 115% of its aggregate value.

We obtained three term loans from Bridge-CCRE Trust I and Bridge-CCRE Trust II. The loans bear interest at 7.88% with no fixed term of repayment. As of June 30, 2012, RMB557.6 million (US$87.8 million) in principal amount remained outstanding under these loans.

We also obtained two term loans from Bridge-CCRE Trust III and IV. The loans bear interest at 10% with no fixed term of repayment. As of June 30, 2012, RMB700 million (US$110.2 million) in principal amount remained outstanding under these loans.

Bridge Trust

We obtained two term loans from Bridge Trust with a term ranging from four months to 16 months in April and May 2009. The loans bear an annual interest rate ranging from 12% to 13% and are secured by mortgages over the assets of the related projects. As of June 30, 2012, RMB90.8 million (US$14.3 million) remained outstanding under these loans.

2009 Convertible Bonds with Warrants

On August 31, 2009, we issued 2009 Convertible Bonds with principal amount of HK$765,000,000 due 2014 and 76,097,561 Warrants. The 2009 Convertible Bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the 2009 Convertible Bonds is August 31, 2014. The 2009 Convertible Bonds can be converted to Shares at HK$3.1 per Share, subject to anti-dilutive adjustment.

Detachable from the 2009 Convertible Bonds, each Warrant may be exercised from the date of issue up to August 31, 2014 at the exercise price of HK$4.10 per share, subject to anti-dilutive adjustment.

In addition to the above, we may early redeem all the 2009 Convertible Bonds from August 31, 2012 to August 31, 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the Shares for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by us, is at least 130% of the conversion price of HK$3.10 per Share. If we early redeem the 2009 Convertible Bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the 2009 Convertible Bonds.

The holders of the 2009 Convertible Bonds can require us to early redeem all the 2009 Convertible Bonds at any time from August 31, 2012 to August 31, 2014 plus any accrued but unpaid interest thereon the redemption date. If we are required to early redeem the 2009 Convertible Bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the 2009 Convertible Bonds.

The holders of the 2009 Convertible Bonds can also require us to early redeem all the 2009 Convertible Bonds if we fail to maintain total net worth of not less than 75% of total debt, or consolidated EBITDA of at least 500% of total interest. Holders may also early redeem the 2009 Convertible Bonds if beneficial ownership of our chairman and Joy Bright Investments Limited falls below 30%, or if a person other than our chairman and Joy Bright Investments Limited acquires more than 50% of our issued share capital.

On October 5, 2010, the holders of the 2009 Convertible Bonds passed the written special resolution whereby they (i) consented to the offering, issuance and sale of the 2010 Notes and (ii) agreed (a) on the amendments to certain financial covenants set out in the terms and conditions of the 2009 Convertible Bonds and (b) that the offering, issuance and sale of the 2010 Notes and the provisions of any guarantee or security interest for the benefit of the holders of the 2010 Notes, will not, subject to the amendments as hereinbefore mentioned and the execution of the Intercreditor Agreement result in any default under the 2009 Convertible Bonds. See "— Intercreditor Agreement."

On June 28, 2011, we completed the 2011 Rights Issue pursuant to which 428,000,000 right shares were allotted and issued. Hence the conversion price of the 2009 Convertible Bonds was adjusted from HK$3.1 to HK$2.984 per Share and the exercise price of the Warrants was adjusted from HK$4.1 to HK$3.947 per Share. In connection with the 2011 Rights Issue, we obtained a consent letter from the holders of the 2009 Convertible Bonds on May 24, 2011 whereby such holders consented to waive their early redemption right during the waiver period. On June 23, 2011, we entered into a supplemental deed which amended the definition of "Change of Control." The remaining terms and conditions of the 2009 Convertible Bonds remain unchanged.

As of June 30, 2012, none of the 2009 Convertible Bonds had been converted into our Shares and the carrying value of the liability component of the 2009 Convertible Bonds was RMB567.4 million. For more information, see note 28 to the audited consolidated financial statements as of and for the year ended December 31, 2011 and note 19 to the unaudited interim consolidated financial statements as of and for the six months ended June 30, 2012.

On November 1, 2012, one of the holders of the 2009 Convertible Bonds with Warrants served a notice of redemption on us, pursuant to which, we redeemed its entire holding of principal amount HK$78 million of the 2009 Convertible Bonds and it surrendered all associated warrants for nil consideration. On the same day, we and the holders of the 2009 Convertible Bonds agreed to remove our respective early redemption rights to the convertible bonds. In addition, a financial covenant was amended to the effect that the with Warrants will only have the right to require the Company to redeem their convertible bonds if the Company fails to maintain a consolidated EBITDA to interest ratio equal to (A) at least 500% for the half-year period ending on December 31, 2010; and (B) at least 300% for each of the half-year periods ending on June 30, 2011, December 31, 2011, June 30, 2012, December 31, 2012, June 30, 2013, December 31, 2013 and June 30, 2014. The yield to maturity was also increased from 8% to 10.5% per annum from September 1, 2012 onwards.

2010 Notes

On October 20, 2010, we entered into an indenture (as amended and supplemented from time to time, the "2010 Indenture") pursuant to which we issued US$300 million principal amount of the 12.25% senior notes due 2015. As of June 30, 2012, we had a total of US$300 million principal amount of the 2010 Notes outstanding.

Guarantee

Our obligations under the 2010 Notes are guaranteed by our existing subsidiaries (the "2010 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2010 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2010 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2010 Indenture.

Each of the 2010 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2010 Notes.

Collateral

In order to secure the obligations under the 2010 Notes, the Company and certain 2010 Subsidiary Guarantors under the 2010 Indenture pledged the capital stock of the 2010 Subsidiary Guarantors to the global security agent under the Intercreditor Agreement, see "— Intercreditor Agreement," for the benefit of the holders of the 2010 Notes and will be shared on a *pari passu* basis with the secured parties under the Intercreditor Agreement (the "Shared Collateral"). The Shared Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2010 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2010 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2010 Indenture.

Events of default

The 2010 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2010 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2010 Indenture. If an event of default occurs and is continuing, the trustee under the 2010 Indenture or the holders of at least 25% of the outstanding 2010 Notes may declare the principal of the 2010 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The 2010 Notes and the 2010 Indenture limits the Company's ability and the ability of its related restricted subsidiaries to, among other things:

(i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;

(ii) declare dividends on its capital stock or purchase or redeem capital stock;

(iii) make investments or other specified restricted payments;

(iv) issue and sell capital stock of related restricted subsidiaries;

(v) guarantee indebtedness of related restricted subsidiaries;

(vi) sell assets;

(vii) create liens;

(viii) enter into sale and leaseback transactions;

(ix) engage in any business other than permitted business;

(x) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(xi) enter into certain transactions with affiliates; and

(xii) effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2010 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Redemption

At any time and from time to time on or after October 20, 2013, the Company may at its option redeem the 2010 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on October 20 of each of the years indicated below.

Period	Redemption Price
2013	106.1250%
2014	103.0625%

At any time prior to October 20, 2013, the Company may at its option redeem the 2010 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2010 Notes, plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, at any time and from time to time prior to October 20, 2013, the Company may redeem up to 35% of the aggregate principal amount of the 2010 Notes with the net cash proceeds of one or more sales of the Company's capital stock in an equity offering at a redemption price of 112.25% of the principal amount of the 2010 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Additionally, if we or a 2010 Subsidiary Guarantor under the 2010 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2010 Notes at a redemption price equal to 100% of the principal amount of the 2010 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Consent Solicitation

On March 16, 2012, we completed a consent solicitation to obtain consents from holders of our 2010 Notes to certain proposed amendments to, and waivers of past defaults under, the 2010 Indenture. Certain terms of the 2010 Notes relating to affiliate transactions were amended pursuant to the consent solicitation upon the execution of a supplemental indenture to the 2010 Indenture on March 19, 2012.

2012 Notes

On April 18, 2012 we entered into an indenture (as amended and supplemented from time to time, the "2012 Indenture") pursuant to which we issued S$175 million principal amount of the 10.75% senior notes due 2016. As of June 30, 2012, we had a total of S$175 million principal amount of the 2012 Notes outstanding.

Guarantee

Our obligations under the 2012 Notes are guaranteed by our existing subsidiaries (the "2012 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2012 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2012 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2012 Indenture.

Each of the 2012 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2012 Notes.

Collateral

On April 18, 2012, the trustee to the 2012 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the 2012 Notes and the subsidiary guarantees provided by the 2012 Subsidiary Guarantors are secured by the Shared Collateral. The Shared Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2012 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2012 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2012 Indenture.

Events of default

The 2012 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2012 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2012 Indenture. If an event of default occurs and is continuing, the trustee under the 2012 Indenture or the holders of at least 25% of the outstanding 2012 Notes may declare the principal of the 2012 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The 2012 Notes and the 2012 Indenture limits the Company's ability and the ability of its related restricted subsidiaries to, among other things:

(i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;

(ii) declare dividends on its capital stock or purchase or redeem capital stock;

(iii) make investments or other specified restricted payments;

(iv) issue and sell capital stock of related restricted subsidiaries;

(v) guarantee indebtedness of related restricted subsidiaries;

(vi) sell assets;

(vii) create liens;

(viii) enter into sale and leaseback transactions;

(ix) engage in any business other than permitted business;

(x) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(xi) enter into certain transactions with affiliates; and

(xii) effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2012 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Redemption

At any time prior to April 18, 2016, the Company may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2012 Notes, plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

Additionally, if we or a 2012 Subsidiary Guarantor under the 2012 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2012 Notes at a redemption price equal to 100% of the principal amount of the 2012 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On October 20, 2010, the Company, the subsidiary guarantor pledgors, the global security agent, the trustee and the holders of the 2009 Convertible Bonds with Warrants, among others, entered into an Intercreditor Agreement. This agreement provides that the security interests created over the 2010 Collateral will be shared on a *pari passu* basis among (i) the holders of the 2010 Notes, (ii) the holders of the 2009 Convertible Bonds with Warrants and (iii) the holders of the Pari Passu Secured Indebtedness (as defined therein), if any, incurred after the date thereof. On April 18, 2012, the trustee to the 2012 Indenture entered into a supplement to the Intercreditor Agreement with the global security agent and acceded to the Intercreditor Agreement as a secured party. On August 21, 2012, the counterparty to the 2012 ISDA Master Agreement entered into a supplement to the Intercreditor Agreement with the global security agent and acceded to the Intercreditor Agreement as a secured party.

Foreign Exchange Swap Agreement

On August 1, 2012, we entered into the 2012 ISDA Master Agreement with Nomura, as the swap counterparty, to manage our foreign exchange rate risk arising from the issuance of the Singapore dollar-denominated 2012 Notes. The term of the swap was for four years. On August 21, 2012, the swap counterparty entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement.

Customer Guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of June 30, 2012, the aggregate outstanding amount guaranteed was RMB4,697.9 million (US$739.5 million).

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to Central China Real Estate Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee." Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined herein) is referred to as a "JV Subsidiary Guarantor."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and DB Trustees (Hong Kong) Limited, as trustee (the "Trustee"). The term "Indenture" when used in this offering memorandum will refer to the Indenture as amended by all supplemental Indentures executed on or prior to the date on which the Notes are issued and sold.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Security Documents and the Intercreditor Agreement (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available (upon reasonable advance notice being given to the Trustee) for inspection on or after the Original Issue Date during normal business hours at the corporate trust office of the Trustee at DB Trustees (Hong Kong) Limited, Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the caption "— The Subsidiary Guarantees and the JV Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";
- effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, on the Original Issue Date, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Notes will be secured by a pledge of the Collateral as described below under the caption "— Security" and will:

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and *pari passu* sharing described below); and

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

The Notes will mature on January 28, 2020, unless earlier redeemed pursuant to the term thereof and the Indenture.

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued.

The Notes will bear interest at 8.0% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on January 28 and July 28 of each year (each an "Interest Payment Date"), commencing July 28, 2013. Interest on the Notes will be paid to Holders of record at the close of business on January 13 or July 13 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under "Optional Redemption," "Redemption for Taxation Reasons," and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 principal amount and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the office of the Paying Agent (as defined below), currently located at Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC (the "Non-Guarantor Subsidiaries"). All of the Subsidiary Guarantors are holding companies that do not have significant operations.

None of the existing Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. In addition, no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC), promptly upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor."

In the case of a future Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (ii) that is organized in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;

- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;

- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

    (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the

Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

(ii) a duly executed Security Document that pledges in favor of the Global Security Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

(iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

(iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of June 30, 2012, the Company and its subsidiaries had total consolidated indebtedness (which includes bank loans, other loans, senior notes and convertible bonds) of approximately RMB6,801.8 million (US$1,070.6 million), of which approximately RMB4,904.8 million (US$772.0 million) was secured.

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

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

In addition, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens and *pari passu* sharing described below) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "— Security"; and

- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their respective rights to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture; or
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;

- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) a duly executed Security Document that pledges in favor of the Global Security Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

  (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Security

The Company and the initial Subsidiary Guarantor Pledgors, for the benefit of the holders of the 2009 Convertible Bonds, the holders of the 2010 Notes, the holders of the 2012 Notes and Nomura International plc as counterparty to the 2012 ISDA Master Agreement, have pledged the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (the "Collateral") on a first priority basis (subject to Permitted Liens and *pari passu* sharing as described below) in order to secure the obligations of the Company under the 2009 Convertible Bond Instrument, the indenture for the 2010 Notes, the indenture for the 2012 Notes, the 2012 ISDA Master

Agreement and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the 2010 Notes and the 2012 Notes and the obligations of the Company or any Subsidiary Guarantor Pledgor under other *pari passu* secured indebtedness.

The Company has agreed to extend, or cause the initial Subsidiary Guarantor Pledgors to extend, as the case may be, the benefit of the security interests created over the Collateral to the Holders on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. Upon the Trustee acceding to the Intercreditor Agreement in the manner as described under "— Intercreditor Agreement", such security interests will be so extended.

The initial Subsidiary Guarantor Pledgors are Joy Ascend Holdings Limited, Central China Real Estate Holdings Limited, Bumper Up Limited and Artstar Investments Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Global Security Agent.

The Company has also agreed, for the benefit of the Holders, to pledge, and cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, the Capital Stock owned by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC) after the Original Issue Date, promptly upon such Person becoming a Restricted Subsidiary, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges the Capital Stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor."

The Collateral will be shared pursuant to the Intercreditor Agreement on a *pari passu* basis by the Holders and the holders of other secured indebtedness including the 2009 Convertible Bonds, the 2010 Notes, the 2012 Notes and the 2012 ISDA Master Agreement. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The proceeds realizable from the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See "— Release of Security" and "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness."

Deutsche Bank Trust Company Americas has acted and will initially act as the Global Security Agent under the Security Documents in respect of the security over the Collateral. The Global Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Trustee and the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders and the beneficiaries of the Secured Liabilities. Neither the Trustee nor the Global Security Agent will be under any obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the such parties, unless such parties have offered to the Trustee and/or the Global Security Agent indemnity and/or security satisfactory to the Trustee and the Global Security Agent, as applicable, against any loss, liability or expense.

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement). By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any such Pari Passu Subsidiary Guarantee, "Permitted Pari Passu Secured Indebtedness"); *provided* that (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant described under "— Limitation on Indebtedness and Preferred Stock;" (2) the holders of such Indebtedness (other than Additional Notes) (or their representative) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Subsidiary Guarantee is substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Global Security Agent an Opinion of Counsel and Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee and/or the Global Security Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph.

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The trustee on behalf of the holders of the 2010 Notes, the holders of the 2009 Convertible Bonds, the Company, the Subsidiary Guarantor Pledgors and Deutsche Bank Trust Company Americas, as the Global Security Agent, among others, entered into an intercreditor agreement on October 20, 2010, to which the trustee on behalf of the holders of the 2012 Notes entered into a supplement on April 18, 2012, and to which Nomura International plc as counterparty to the 2012 ISDA Master Agreement entered into a supplement on August 21, 2012 (as such may be amended, modified or supplemented from time to time, the "Intercreditor Agreement") pursuant to which the Global Security Agent agreed to act as the collateral agent for Nomura International plc as counterparty to the 2012 ISDA Master Agreement, the trustee on behalf of the holders of the 2012 Notes, the trustee on behalf of the holders of the 2010 Notes, the holders of the 2009 Convertible Bonds and holders of any Permitted Pari Passu

Secured Indebtedness incurred after the date thereof or their trustee or agent (such holders or their trustee or agent, the "Creditor Representatives") with respect to the Collateral securing the obligations under the 2012 ISDA Master Agreement, the indenture for the 2012 Notes, the indenture for the 2010 Notes and the 2009 Convertible Bond Instrument or with respect to the Permitted Pari Passu Secured Indebtedness (if any) (such obligations, collectively, are herein referred to as the "Secured Liabilities"). On or before the Original Issue Date, the Trustee on behalf of the Holders will enter into a supplement to the Intercreditor Agreement pursuant to which the Trustee will become a party to the Intercreditor Agreement as a Secured Creditor and a Creditor Representative and the obligations of the Company under the Notes and the obligations of each Subsidiary Guarantor Pledgor under its Subsidiary Guarantee will become Secured Liabilities subject to the Intercreditor Agreement, to the effect that the Collateral will secure such obligations for the benefit of the Trustee on behalf of the holders of the Notes on a *pari passu* basis with the Company's and the Subsidiary Guarantor Pledgors' obligations under the 2012 ISDA Master Agreement, the 2012 Notes, the related subsidiary guarantees, the 2010 Notes, the related subsidiary guarantees and the 2009 Convertible Bonds, as the case may be.

The Intercreditor Agreement provides, among other things, that (1) the Secured Liabilities shall rank *pari passu* among themselves and the Liens on the Collateral securing the Secured Liabilities shall rank *pari passu* among themselves; (2) the Collateral shall only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the Debt Documents, and the terms for substitution or release of the Collateral shall be substantially similar to the terms of the Debt Documents; and (3) the parties thereto shall enforce their rights with respect to the Collateral and the Indebtedness secured thereby as described in "— Enforcement of Security" below. Items (1), (2) and (3) in the previous sentence may only be amended or waived with the consent of the Majority Creditors.

After the Original Issue Date and prior to the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the Company will procure that the holders of such Permitted Pari Passu Secured Indebtedness (through their trustee or agent, if applicable) will execute and deliver a supplement to the Intercreditor Agreement or an accession letter, which shall be in a form substantially similar to the form as prescribed by the Intercreditor Agreement, to become parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution and delivery of the Intercreditor Agreement, any amendments, supplements or modifications thereto, and any future intercreditor agreement required under the Indenture.

Enforcement of Security

The first priority Lien securing the Secured Liabilities has been, and will be granted to the Global Security Agent. The Global Security Agent for itself and the creditors under the Debt Documents will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the Creditor Representatives or the Majority Creditors, if applicable, to exercise remedies under the Security Documents. The Global Security Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents under the applicable security documents, to follow the instructions provided to it by one or more of the Creditor Representatives or the Majority Creditors, if applicable, under the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Global Security Agent in accordance with instructions it receive from the Holders under the Indenture.

The Intercreditor Agreement will provide that the Global Security Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Global Security Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors. Furthermore, the Intercreditor Agreement will provide that, subject to the rights of any creditor with prior security or any preferential claim under applicable laws, the proceeds of enforcement of any Collateral under the Security Documents will be applied as follows:

first, in or towards payment of any unpaid fees, costs and expenses of the Global Security Agent and any receiver, attorney or agent appointed under the Intercreditor Agreement and Security Documents and any amount for which the Global Security Agent is entitled to indemnification under the Intercreditor Agreement;

secondly, pro rata, in or towards payment to the trustees and/or agents under the 2009 Convertible Bond Instrument, the indenture for the 2010 Notes, the indenture for the 2012 Notes, the 2012 ISDA Master Agreement, the Indenture and any other Debt Documents for application against any fees, costs and expenses payable to them under the Debt Documents and any amount for which such trustees and/or agents are entitled to indemnification under the applicable Debt Document;

thirdly, pro rata, in or towards payment to each of the Creditor Representatives for the Secured Liabilities for application against the interest and principal payable under the Debt Documents relevant to it;

fourthly, pro rata, in or towards payment of any other sum payable to each of the Creditor Representatives for the Secured Liabilities under the Debt Documents relevant to it; and

lastly, the payment of the surplus (if any) to the Company, the Subsidiary Guarantor Pledgors or whomever may be lawfully entitled thereto.

The Global Security Agent may refrain from acting in accordance with the instructions of the Creditor Representatives until it has received security satisfactory to it against any liability or loss which it may incur in complying with the instructions. In addition, the Global Security Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Global Security Agent's Liens on the Collateral.

Neither the Global Security Agent nor the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Secured Liabilities, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so. Nor will the Global Security Agent be responsible for (i) the right or title of any person in or to, or the value of, or sufficiency of any part of the Collateral created by the Security Documents; (ii) the priority of any Lien on the Collateral created by the Security Documents; or (iii) the existence of any other Lien affecting any asset secured under a Security Document.

The Intercreditor Agreement and Security Documents will provide that the Obligors shall jointly and severally forthwith on demand indemnify the Global Security Agent for any liability, damage, cost, expense or loss incurred by the Global Security Agent in any way relating to or arising out of its acting as the Global Security Agent, except to the extent that the liability, damage, cost, expense or loss arises directly from the Global Security Agent's willful misconduct or gross negligence.

This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pari Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants described under "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor (or its Subsidiaries) in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor in compliance with the terms of the Indenture; and
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Parent Guarantor of (i) such Subsidiary Guarantor or JV Subsidiary Guarantor, or (ii) the Subsidiary Guarantor Pledgor pledging the Capital Stock of such Subsidiary Guarantor or JV Subsidiary Guarantor, as an Unrestricted Subsidiary in compliance with the terms of the Indenture.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below.

Optional Redemption

At any time and from time to time on or after January 28, 2017, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on January 28 of each of the years indicated below.

Year	Redemption Price
2017	104%
2018	102%
2019 and thereafter	100%

At any time prior to January 28, 2017, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time and from time to time prior to January 28, 2017, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption, with at least 35 days' notice to the Trustee. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(1) if the Notes are listed on any recognized securities exchange, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed; or

(2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's, the Subsidiary Guarantors' and the JV Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a "Relevant Taxing Jurisdiction"), or any jurisdiction through which payments are made (together with each Relevant Taxing Jurisdiction, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

  (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

    (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any withholding or deduction that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26–27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

   (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;

   (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (m) below);

(d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;

(e) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "Refinance" and "Refinances" and "Refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness Refinanced substantially concurrently with but in any case before the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (p), (q), (r) or (s) of this paragraph (2) and any Refinancings thereof in an amount not to exceed the amount so Refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to Refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are Refinanced in part or the Indebtedness to be Refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be Refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be Refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be Refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be Refinanced, and (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be Refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor *(provided* that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease or other purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in a Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in a Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (h) (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (h) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (p), (q) or (r) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (p), (q) or (r) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, (ii) Guarantees by any PRC Restricted Subsidiary of Indebtedness that was permitted to be Incurred by another provision of this covenant of another PRC Restricted Subsidiary, (iii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clauses (f) or (h) above or clause (n) below or (iv) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US$25.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date);

(o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;

(p) Indebtedness Incurred by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a PRC Project Company; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (p) (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (p) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (h) above or (q) or (r) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h) above or (q) or (r) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 20% of Total Assets;

(q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (q) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h) or (p) above or (r) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) or (r) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 20% of Total Assets;

(r) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (r) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p) or (q) above (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) or (q) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 20% of Total Assets; and

(s) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with Refinancings thereof) not to exceed US$15.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date).

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso part (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.

(4) Notwithstanding any other provision of the Indenture, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's or any of its Restricted Subsidiaries'' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary (other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement or (ii) the purchase of Capital Stock of a Restricted Subsidiary held by a Trust Company Investor);

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or

(4) make any Investment, other than a Permitted Investment;

   if, at the time of, and after giving effect to, the proposed Restricted Payment:

   (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

   (b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in part (1) of the covenant described under "— Limitation on Indebtedness and Preferred Stock"; or

   (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:

      (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Measurement Date occurred and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person.

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or

sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

(6) dividends paid to, or the purchase of Capital Stock of any PRC Project Company held by, any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(p) of the "Limitation on Indebtedness and Preferred Stock" covenant;

(7) any Restricted Payment in an aggregate amount, taken together with all other Restricted Payments made in reliance on this clause (7), not to exceed US$20.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date).

provided that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1) and (7) of the preceding paragraph shall be included in calculating whether the conditions of clause (4)(c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments. For the avoidance of doubt, the 2010 Dividend shall not be included in such calculation as set forth in the foregoing sentence.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be their Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

    (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

    (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

    (c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, Refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, Refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause (2)(h) or permitted under clause (2)(n), (2)(p), (2)(q), (2)(r) or (2)(s) of the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, such encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes, and any extensions, Refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect the ability of (x) the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee, respectively; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, Refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided* that the Company complies with the "— Limitation on Asset Sales" covenant; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any other Restricted Subsidiary, unless (1) (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(c), (2)(d), (2)(m)(ii) or (2)(m)(iii) (other than, with respect to clause (2)(m)(iii), a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary that is not a Subsidiary of a PRC Restricted Subsidiary), or (2)(q) (in the case of clause (2)(q), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or bank deposits to secure any Bank Deposit Secured Indebtedness), under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

   (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$3.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

   (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than the terms available to (or from, as applicable) a Person that is not an Affiliate of the Company, in each case issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under "— Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company; and

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary Guarantor is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary).

Further, the requirements of clause (2) of the first paragraph of this covenant shall not apply to any transaction between (A) any of the Company or a Restricted Subsidiary and (B) any Jointly Controlled Entity; *provided* that (1) such transaction is entered into in the ordinary course of business and (2) none of the shareholders or partners of or in such Jointly Controlled Entity is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Jointly Controlled Entity or by reason of being a Restricted Subsidiary).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction pursuant to the covenant described above under "— Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under "— Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under "— Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(3) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur at least US$1.00 of Indebtedness under the proviso in part (1) of the covenant described under "— Limitation on Indebtedness and Preferred Stock" after giving pro forma effect to such Asset Disposition; and

(4) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

   (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

   (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or to acquire Replacement Assets; or

(3) make an Investment in cash or Temporary Cash Investments pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant described under "— Limitation on Restricted Payments."

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption "Use of Proceeds" in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under "— Limitation on Liens"; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under "— Limitation on Indebtedness and Preferred Stock"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under "— Limitation on Liens"; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as required under "— Security."

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "— Certain Covenants — Limitation on the Company's Business Activities";

(7) "— Certain Covenants — Limitation on Sale and Leaseback Transactions"; and

(8) "— Certain Covenants — Limitation on Asset Sales."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

    (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

    (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

    (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; and (b) as soon as possible and in any event within 30 days after the

Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority Lien on the Collateral (subject to any Permitted Liens) in accordance with the provisions described under the caption "— Security";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$7.5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$7.5 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;

(9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms in writing its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a first priority Lien on the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See "— Security."

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries'' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso in part (1) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this covenant and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than to the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company or another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the proviso in part (1) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "— Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "— The Subsidiary Guarantees — Release of the Subsidiary Guarantees."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company, the Subsidiary Guarantors or the JV Subsidiary Guarantors that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to hold monies for payment in trust and to pay Additional Amounts) if, among other things:

(1) the Company (a) has deposited with the Trustee (or its agent), in trust, money, U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel from a firm of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— Certain Covenants-Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants-Anti-Layering," clause (3) under "Events of Default" with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "Events of Default" with respect to such other covenants and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and Waivers

Amendments Without Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document, *provided however* that such amendment shall not adversely affect the interest of the Holders;

(2) comply with the provisions described under "— Consolidation, Merger and Sale of Assets";

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture;

(7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Global Security Agent to enter into any supplements or amendments to the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

(11) make any other change that does not materially and adversely affect the rights of any Holder; or

(12) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be modified or amended, and future compliance with any provision thereof may be waived, with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;

(9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

(12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

(13) change the redemption date or the redemption price of the Notes from that stated under the captions "— Optional Redemption" or "— Redemption for Taxation Reasons";

(14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or

(15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning the Trustee and the Agents

DB Trustees (Hong Kong) Limited has been appointed as Trustee under the Indenture, Deutsche Bank Luxembourg, S.A. has been appointed as note registrar (the "Note Registrar"), and Deutsche Bank AG Hong Kong Branch has been appointed as paying agent (the "Paying Agent") and transfer agent (the "Transfer Agent," and together with the Trustee, the Note Registrar and the Paying Agent, the "Agents") with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

None of the Trustee, the Paying Agent, the Note Registrar, or the security agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so, except as a result of the Agent's own fraud, gross negligence or willful misconduct.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26–27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

Deutsche Bank Trust Company Americas will initially act as Global Security Agent under the Security Documents in respect of the Security over the Collateral. The Global Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders. The Global Security Agent will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Global Security Agent indemnity or security reasonably satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Global Security Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee or the Global Security Agent in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "Initial Global Note"). On the Original Issue Date, the Initial Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the "Additional Global Notes", together with the Initial Global Note, the "Global Notes").

Global Notes

Ownership of beneficial interests in the Global Notes (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "— Certificated Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "— Additional Amounts."

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of any Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for certificated notes in certificated form, and to distribute such certificated notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Certificated Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Company has received a written request from a Holder, the Company will issue certificated notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for certificated and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for certificated notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such certificated notes. In all cases, certificated notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Certificated notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint National Corporate Research, Ltd. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Intercreditor Agreement and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to "— Security" will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"*2009 Convertible Bonds*" mean the HK$765,000,000 4.9% per annum convertible bonds due 2014 issued by the Company on August 31, 2009.

"*2009 Convertible Bond Instrument*" means the convertible bond instrument dated August 31, 2009 made by way of deed by the Company under which the 2009 Convertible Bonds were issued.

"*2010 Dividend*" means the payment of dividends by the Company in an aggregate amount not to exceed US$30.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of October 20, 2010) with respect to the fiscal year ended December 31, 2010.

"*2010 Notes*" means the US$300,000,000 12.25% per annum senior notes due 2015 issued by the Company on October 20, 2010.

"*2012 Notes*" means the S$175,000,000 10.75% per annum senior notes due 2016 issued by the Company on April 18, 2012.

"*2012 ISDA Master Agreement*" means the ISDA Master Agreement (2002) dated as of August 1, 2012, together with a confirmation dated as of May 28, 2012, between the Company and Nomura International plc.

"*Acquired Indebtedness*" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"*Adjusted Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"*Affiliate*" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"*Applicable Premium*" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note at January 28, 2017 (such redemption price being set forth in the table appearing above under the caption "— Optional Redemption"), plus (y) all required remaining scheduled interest payments due on such Note through January 28, 2017 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"*Asset Acquisition*" means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"*Asset Disposition*" means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

"*Asset Sale*" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "— Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant described under "— Consolidation, Merger and Sale of Assets";

(7) sales or other dispositions of cash or of Temporary Cash Investments; and

(8) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

"*Attributable Indebtedness*" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction.

"*Average Life*" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"*Bank Deposit Secured Indebtedness*" means Indebtedness of the Company or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts or bank deposits of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange U.S. dollars or Hong Kong dollars into Renminbi or vice versa; *provided, however*, that the total deposits in such pledged bank accounts shall not at any time be less than 100% or exceed an amount equal to 110% of the aggregate outstanding principal amount of such Indebtedness (or the Dollar Equivalent thereof).

"*Board of Directors*" means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"*Board Resolution*" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"*Business Day*" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"*Capitalized Lease*" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"*Capitalized Lease Obligations*" means the discounted present value of the rental obligations under a Capitalized Lease.

"*Capital Stock*" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger, amalgamation or consolidation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);

(2) the Permitted Holders are the beneficial owners of less than 30% of the total voting power of the Voting Stock of the Company;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election to the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Company.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and, provided the Notes are rated by at least one Rating Agency, a Rating Decline.

"*Clearstream*" means Clearstream Banking, société anonyme, Luxembourg.

"*Collateral*" means all collateral securing, or purported to be securing, directly or indirectly, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

"*Commodity Hedging Agreement*" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"*Common Stock*" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"*Comparable Treasury Issue*" means the U.S. Treasury security having a maturity comparable to January 28, 2017 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to January 28, 2017.

"*Comparable Treasury Price*" means, with respect to any redemption date:

(1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or

(2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

"*Consolidated EBITDA*" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"*Consolidated Fixed Charges*" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"*Consolidated Interest Expense*" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

   (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

   (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

(6) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains.

"*Consolidated Net Worth*" means, at any date of determination, stockholders' equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"*Contractor Guarantees*" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"*Currency Agreement*" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"*Debt Documents*" means, collectively, the 2009 Convertible Bond Instrument, the indenture for the 2010 Notes, the indenture for the 2012 Notes, the 2012 ISDA Master Agreement, the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants.

"*Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"*Entrusted Loans*" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that, such borrowings are not reflected on the consolidated balance sheet of the Company.

"*Equity Offering*" means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) results in the aggregate gross cash proceeds received by the Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"*Euroclear*" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended.

"*Fair Market Value*" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of the Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

"*Fixed Charge Coverage Ratio*" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two fiscal semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Two Semi-Annual Period") to (2) the aggregate Consolidated Fixed Charges during such Two Semi-Annual Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Two Semi-Annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-Annual Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"*GAAP*" means generally accepted accounting principles in Hong Kong as in effect from time to time.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Hedging Obligation*" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"*Holder*" means the Person in whose name a Note is registered in the Note register.

"*Incur*" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"*Indebtedness*" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be "Indebtedness."

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, Entrusted Loans, pre-sale receipts in advance from customers or similar obligations, Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided* that such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, or (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such clause.

"*Independent Third Party*" means any Person that is not an Affiliate of the Company.

"*Intercreditor Agreement*" has the meaning set forth under "— Security."

"*Interest Rate Agreement*" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"*Investment*" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

An acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Company will not be deemed an Investment.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportional interest in the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"*Investment Grade*" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "–" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody's or both, as the case may be.

"*Investment Property*" means any property that is owned and held by any PRC Restricted Subsidiary primarily for rental yield or for capital appreciation or both, or any hotel owned by the Company or any PRC Restricted Subsidiary as an investment property.

"*JV Entitlement Amount*" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"*JV Subsidiary Guarantee*" has the meaning set forth under the caption "— The Subsidiary Guarantees."

"*JV Subsidiary Guarantor*" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"*Jointly Controlled Entity*" means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Capital Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a "jointly controlled entity" in accordance with GAAP and is primarily engaged in a Permitted Business, and such Jointly Controlled Entity's Subsidiaries.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"*Majority Creditors*" means, as of any time of determination, the creditors under the Debt Documents that represent more than 50% of the aggregate principal amount of secured liabilities outstanding under the Debt Documents at such time.

"*Measurement Date*" means October 20, 2010.

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Net Cash Proceeds*" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

   (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

   (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

   (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

   (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"*Non-Guaranteed Portion*" means, at any time of determination with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries, the aggregate value (without duplication) of the equity interests held by each Independent Third Party in any JV Subsidiary Guarantor as determined by multiplying (x) the total assets as shown on the balance sheet of the relevant JV Subsidiary Guarantor for its most recently ended semi-annual period (or, in the case of the JV Subsidiary Guarantor executing such JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual period, as shown on the balance sheet of such JV Subsidiary Guarantor after giving pro forma effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties) by (y) the proportionate ownership of all Capital Stock held by such Independent Third Party in such JV Subsidiary Guarantor, *provided* that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets which would be eliminated from the calculation of Total Assets of the Company for the relevant semi-annual period shall be excluded from the calculation of total assets in clause (x) above.

"*Obligors*" means, collectively, the Company, the Subsidiary Guarantor Pledgor and any other person who becomes a party to the Intercreditor Agreement as an obligor after the date thereof.

"*Offer to Purchase*" means an offer to purchase the Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"*Officer*" means one of the directors or executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"*Officers' Certificate*" means a certificate signed by two Officers; *provided* that, with respect to any Subsidiary Guarantor or JV Subsidiary Guarantor having only one Officer, an "Officers' Certificate" means a certificate signed by such Officer.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"*Original Issue Date*" means the date on which the Notes are originally issued under the Indenture.

"*Pari Passu Subsidiary Guarantee*" means a guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (1) the Company was permitted to Incur such Indebtedness under the covenant described under "— Limitation on Indebtedness and Preferred Stock" and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"*Payment Default*" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption "— Repurchase of Notes upon a Change of Control Triggering Event," or an Offer to Purchase in the manner described under the caption "— Limitation on Asset Sales" or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

"*Permitted Businesses*" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

"*Permitted Holders*" means any or all of the following:

(1) Mr. Wu Po Sum;

(2) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) or the estate or legal representatives of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

"*Permitted Investment*" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) any Investment in cash or Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under "— Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "— Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;

(16) payments made pursuant to any Staged Acquisition Agreement;

(17) advances or deposits paid to government authorities or government-affiliated or supervised entities in the PRC in connection with the financing of land acquisition, land development or land re-development activities in the ordinary course of business that are recorded as assets on the Company's balance sheet to the extent each such advance or deposit is on normal commercial terms;

(18) repurchases of Notes; and

(19) any Investment by the Company or any Restricted Subsidiary in any Person; provided that:

(i) the aggregate of all Investments made under this clause (19) since the Original Issue Date shall not exceed in aggregate an amount equal to 20% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) since the Original Issue Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person, or

(C) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,

not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19);

(ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;

(iii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (19) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption "—Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary);

(iv) no Default has occurred and is continuing or would occur as a result of such Investment; and

(v) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "—Limitation of Indebtedness and Preferred Stock."

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made.

"*Permitted Liens*" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations of the type permitted by clause (2)(f) of the covenant described under "—Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to Refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under "— Limitation on Indebtedness and Preferred Stock"; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being Refinanced;

(13) Liens under the Security Documents, including those executed by the Company and the initial Subsidiary Guarantor Pledgors on October 20, 2010 in favor of the Global Security Agent to secure the 2012 ISDA Master Agreement, the 2012 Notes, the 2010 Notes, the 2009 Convertible Bonds and the permitted *pari passu* secured indebtedness provided therein;

(14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "— Security — Permitted Pari Passu Secured Indebtedness";

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee;

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Original Issue Date; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens on the Capital Stock of a PRC Project Company granted by the Company or any PRC Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, Indebtedness of the type permitted to be Incurred under clause (2)(p) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(23) Liens incurred on one or more bank accounts or deposits to secure Bank Deposit Secured Indebtedness;

(24) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary of the type described under clause (2)(r) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(25) Liens incurred or deposits made to secure Entrusted Loans;

(26) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(27) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(o) of the covenant described under "— Limitation on Indebtedness and Preferred Stock"; and

(28) Liens securing Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors) Incurred pursuant to clause (2)(s) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

provided that, with respect to the Collateral, "Permitted Liens" shall only refer to the Liens described in clauses (1), (6), (13) and (14) of this definition.

"*Permitted Pari Passu Secured Indebtedness*" has the meaning set forth under "— Security — Permitted Pari Passu Secured Indebtedness."

"*Permitted Subsidiary Indebtedness*" means Indebtedness of, and all Preferred Stock issued by, the Restricted Subsidiaries; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding the amount of any Public Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary permitted under clauses (2)(a), (2)(b), (2)(d), (2)(f), (2)(g) and (2)(m) of the covenant described under "— Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% of Total Assets.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Pre-Registration Mortgage Guarantee*" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"*PRC*" means the People's Republic of China, excluding, solely for purposes of this definition, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

"*PRC CJV*" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

"*PRC CJV Partner*" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"*PRC Project Company*" means any Restricted Subsidiary organized under the laws of the PRC primarily engaged in a Permitted Business.

"*PRC Restricted Subsidiary*" means a Restricted Subsidiary organized under the laws of the PRC.

"*Preferred Stock*" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Indebtedness*" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"*Rating Agencies*" means (1) S&P and (2) Moody's and (3) if S&P or Moody's or both shall not make a rating of the Notes publicly available, a recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody's or both, as the case may be.

"*Rating Category*" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); and (3) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "–" for S&P; "1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB–," as well as from "BB–" to "B+," will constitute a decrease of one gradation).

"*Rating Date*" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"*Rating Decline*" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by both Moody's and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"*Reference Treasury Dealer*" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by an investment banking firm of recognized international standing of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such investment banking firm by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such redemption date.

"*Replacement Assets*" means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and will, upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, become a Restricted Subsidiary.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*S$*" means the lawful currency of the Republic of Singapore.

"*S&P*" means Standard & Poor's Ratings Services and its affiliates.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"*Secured Creditors*" means, collectively, the Global Security Agent and the creditors and the agents under the Debt Documents.

"*Secured Liabilities*" means, collectively, all present and future obligations, contingent or otherwise, of the Company and its Subsidiaries to the noteholders, lenders and their agents or trustees under the Debt Documents, including any interest, fees and expenses accruing after the initiation of any insolvency proceeding (irrespective of whether such interest, fees and expenses are allowed as a claim in such proceeding).

"*Securities Act*" means the U.S. Securities Act of 1933, as amended.

"*Security Documents*" means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee and/or any Holders in any or all of the Collateral.

"*Senior Indebtedness*" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Indenture.

"*Staged Acquisition Agreement*" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire 50% or more of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"*Stated Maturity*" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"*Subordinated Indebtedness*" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"*Subsidiary*" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and which is 'controlled' and consolidated by such Person in accordance with GAAP; *provided, however*, that with respect to clause (ii) the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

"*Subsidiary Guarantee*" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"*Subsidiary Guarantor*" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor does not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"*Subsidiary Guarantor Pledgor*" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor does not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"*Temporary Cash Investment*" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, Bank of Communication, China Merchants Bank, Shanghai Pudong Development Bank, China Minsheng Bank, Industrial Bank, Shenzhen Ping An Bank, The Bank of East Asia, Guangdong Development Bank, HuaXia Bank, Shenzhen Development Bank, China Everbright Bank, China CITIC Bank, Henan Rural Credit Union, Bridge Trustee Co., Ltd., Zhongyuan Trustee Co., Ltd., Shenzhen Chinese Mercantile Bank, Bank of Zhengzhou, Bank of Luoyang, Bank of Commerce Kaifeng, Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank, Development Bank of Singapore, China International Capital Corporation Limited, BOC International, Morgan Stanley, Deutsche Bank, Nomura, ING, Bank of America, Citibank and Hang Seng Bank, (ii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong whose long-term debt is rated as high or higher than any of those banks listed in clause (i), or (iii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong; *provided* that, in the case of clause (iii), such deposits do not exceed US$10.0 million (or the Dollar Equivalent thereof) with any single bank or US$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination.

"*Total Assets*" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clause (2)(h) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness, *provided further* that only with respect to the calculation of "Non-Guaranteed Portion," in the case of a JV Subsidiary Guarantor executing a JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual or annual period, the amount of Total Assets shall be calculated after giving pro forma effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties.

"*Trade Payables*" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"*Transaction Date*" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"*Trust Company Investor*" means an Independent Third Party that is a financial institution or an insurance company organized under the laws of the PRC, or an Affiliate thereof, that invests in any Capital Stock of a PRC Project Company.

"*Unrestricted Subsidiary*" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

"*U.S. Government Obligations*" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"*Voting Stock*" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"*Wholly Owned*" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands and PRC income tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

We have been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with our Company:

That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations; and

In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of our Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of 20 years from November 27, 2007.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of the Notes to a non-PRC enterprise holder is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains

Under the CIT Law enacted by the National People's Congress in March 2007, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC are considered "resident enterprises" for PRC tax purposes and will generally be subject to the CIT at the rate of 25% on their global income. The implementation rules of the CIT Law define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 which specifies certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises or PRC enterprise groups. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for enterprises established offshore by private individuals or foreign enterprises like us. Substantially all of our management is currently located in the PRC. If we are treated as a PRC resident enterprise for income tax purposes, we will be subject to income tax at the rate of 25% on our global taxable income.

If we were treated as a PRC resident enterprise, we would be obligated to withhold PRC income tax of up to 7%, subject to approval by the relevant tax authorities, on payments of interest, and possibly premium, on the Notes to investors that are non-resident enterprises located in Hong Kong, or 10% on payments of interest, and possibly premium, on the Notes to investors that are non-resident enterprises located outside Hong Kong, if the interest or premium would be regarded as being derived from sources within the PRC. In the case of individual holders of the Notes, the aforesaid withholding tax rate will be 20%. If we fail to make proper withholdings, we may be subject to fines and other penalties. If we were treated as a PRC resident enterprise, any gain realized by such non-resident enterprise investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax (20% in the case of individuals). We currently take the position that we are not a PRC resident enterprise. However, as advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the CIT Law.

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of a Note.

PLAN OF DISTRIBUTION

The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and UBS AG, Hong Kong Branch are acting as joint bookrunners of the offering and as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum (the "Purchase Agreement"), each Initial Purchaser named below has severally and not jointly agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite the Initial Purchaser's name.

Initial Purchaser	Principal Amount of Notes
The Hongkong and Shanghai Banking Corporation Limited	US$20,000,000
J.P. Morgan Securities plc	US$60,000,000
Morgan Stanley & Co. International plc	US$60,000,000
UBS AG, Hong Kong Branch	US$60,000,000
Total	**US$200,000,000**

The Purchase Agreement will provide that the Company will pay the Initial Purchasers a customary commission. The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates. In addition, we have agreed with the Initial Purchasers that private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients, which commission may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

We have agreed that, for a period of 90 days from the date of this offering memorandum, we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us. The Initial Purchasers in their sole discretion may consent to the offering and sales of debt securities by us at any time without notice.

The Notes will constitute a new class of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

Morgan Stanley & Co. International plc (or its affiliates) may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit Morgan Stanley & Co. International plc (as stabilizing manager) to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither the Company nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that Morgan Stanley & Co. International plc (as stabilizing manager) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in three business days, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers and their affiliates, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral. In addition, the Initial Purchasers or any of their affiliates may acquire for their own account a portion of the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Joint Lead Managers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of ours or of our subsidiaries or affiliates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States and may only be offered or sold outside the United States in compliance with Regulation S under the Securities Act. In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

United Kingdom

The Initial Purchasers have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by them in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of such Act does not apply to Initial Purchasers and the Initial Purchasers have complied and will comply with all applicable provisions of such Act with respect to anything done by them in relation to any Securities in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes will not be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (the "SFO") and any rules made thereunder; or (ii) in other circumstances which do not result in any such document being a "prospectus" as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of being issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Japan

The Securities have not been and will not be registered under the Securities and Exchange Law of Japan, and the Initial Purchasers have not offered or sold, and agrees not to offer or sell, directly or indirectly, any Securities in Japan or for the account of any resident thereof except pursuant to any exemption from the registration requirements of the Securities and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

(i) an institutional investor (as defined in Section 4A of the SFA);

(ii) a relevant person (as defined in Section 275 (2) of the SFA); or

(iii) any person pursuant to an offer referred to in Section 275 (1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

1. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

2. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest

(howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor (under Section 274 of the SFA), or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions specified in Section 275 of the SFA;

(ii) (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

(iii) where no consideration is or will be given for the transfer;

(iv) where the transfer is by operation of law;

(v) as specified in Section 276(7) of the SFA; or

(vi) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

PRC

This offering memorandum does not constitute a public offer of the Notes, whether by sale of by subscription, in the PRC. The Notes will not be offered or sold within the PRC by means of this offering memorandum or any other document except pursuant to the applicable laws and regulations of the PRC.

Cayman Islands

No Notes will be offered or sold to the public in the Cayman Islands.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

TRANSFER RESTRICTIONS

By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:

   - the Notes have not been registered under the Securities Act or any other applicable securities laws;

   - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and

   - the Notes are being offered and sold only outside of the United States, in offshore transactions in reliance on Regulation S under the Securities Act.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours and that you are not acting on our behalf and you are purchasing the Notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act.

5. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are expected to be rated of B+ by Standard & Poor's Ratings Services and B1 by Moody's Investors Service. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be lowered or put on negative outlook by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law, Li & Partners as to matters of Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law, Conyers Dill & Pearman (Cayman) Limited as to matters of Cayman Islands law and Conyers Dill & Pearman as to matters of British Virgin Islands law. Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of United States federal and New York law and Jingtian and Gongcheng as to matters of PRC law.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of Central China Real Estate Limited as of and for the years ended December 31, 2011 and 2010, included in this offering memorandum, have been audited by KPMG, Certified Public Accountants, as stated in their report herein. The consolidated financial statements of Central China Real Estate Limited as of and for the year ended December 31, 2009 is included as comparative information within the consolidated financial statements of Central China Real Estate Limited as of and for the year ended December 31, 2010 and have been restated as stated in our annual report for the year ended December 31, 2010. The unaudited interim consolidated financial statements of Central China Real Estate Limited as of and for the six months ended June 30, 2012, included in this offering memorandum, have been reviewed by KPMG, Certified Public Accountants, as stated in their report herein.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes has been authorized by a resolution of our board of directors dated January 18, 2013.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees.

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2012 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

For so long as any of the Notes is outstanding, copies of the accountants' reports and/or our published financial statements, if any, including the accountants' report set out in the section entitled "Index to Consolidated Financial Statements" in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Notes	XS0879582301	087958230

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the Notes

Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering circular. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Notes or us. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Notes:

(1) The unaudited interim consolidated financial statements as of and for the six months ended June 30, 2012 set out herein have been reproduced from the Company's interim report for the six months ended June 30, 2012, including the page numbers and page references set forth in such report. The unaudited interim consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.

(2) The audited consolidated financial statements as of and for the years ended December 31, 2010 and 2011 set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2010 and 2011, including the page numbers and page references set forth in such reports. The audited consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Turnover	4	**3,025,421**	2,529,121
Cost of sales		**(1,942,002)**	(1,374,739)
Gross profit		**1,083,419**	1,154,382
Other revenue	5	**62,641**	29,491
Other net loss	5	**(7,342)**	(13,006)
Selling and marketing expenses		**(93,439)**	(71,744)
General and administrative expenses		**(147,038)**	(96,714)
Other operating expenses		**(3,646)**	(9,719)
		894,595	992,690
Share of losses of associates		**(1,405)**	(1,535)
Share of profits less losses of jointly controlled entities		**(8,698)**	(40,194)
Finance costs	6(a)	**(116,181)**	(131,136)
Profit before change in fair value of investment properties and income tax		**768,311**	819,825
Net increase in fair value of investment properties		**9,952**	1,380
Profit before taxation	6	**778,263**	821,205
Income tax	7	**(429,707)**	(489,163)
Profit for the period		**348,556**	332,042
Attributable to:			
Equity shareholders of the Company		**331,598**	321,696
Non-controlling interests		**16,958**	10,346
Profit for the period		**348,556**	332,042
Earnings per share	8		
— Basic *(RMB cents)*		**13.66**	15.64
— Diluted *(RMB cents)*		**11.40**	15.64

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Profit for the period	**348,556**	332,042
Other comprehensive income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	**(44,639)**	26,494
Revaluation gain on property, plant and equipment	**6,479**	—
Total comprehensive income for the period	**310,396**	358,536
Attributable to:		
Equity shareholders of the Company	**293,583**	348,818
Non-controlling interests	**16,813**	9,718
Total comprehensive income for the period	**310,396**	358,536

There is no tax effect relating to the above component of the other comprehensive income.

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2012

(Expressed in Renminbi)

	Note	**At 30 June 2012 RMB'000 (unaudited)**	At 31 December 2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**1,269,560**	945,421
Investment properties	10	**313,900**	278,800
Interests in associates		**48,269**	49,675
Interests in jointly controlled entities	11	**3,469,680**	3,102,995
Other financial assets		**101,800**	97,800
Deferred tax assets		**140,684**	111,570
		5,343,893	4,586,261
Current assets			
Trading securities		**81,081**	74,878
Properties for sale	12	**8,774,489**	8,624,403
Trade and other receivables	13	**659,376**	441,527
Deposits and prepayments	14	**2,641,419**	1,733,818
Prepaid tax		**112,109**	109,022
Restricted bank deposits	15	**768,389**	652,863
Cash and cash equivalents		**3,050,397**	3,255,528
		16,087,260	14,892,039
Current liabilities			
Bank loans	16	**1,225,840**	1,110,660
Other loans	17	**1,714,350**	1,245,470
Trade and other payables and accruals	18	**5,847,198**	5,078,595
Receipts in advance		**2,700,311**	3,098,425
Convertible bonds	19	**567,377**	549,665
Senior notes	20	**—**	1,849,885
Tax payable		**852,594**	828,655
		12,907,670	13,761,355
Net current assets		**3,179,590**	1,130,684
Total assets less current liabilities		**8,523,483**	5,716,945

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

at 30 June 2012

(Expressed in Renminbi)

	Note	**At 30 June 2012** ***RMB'000*** ***(unaudited)***	At 31 December 2011 *RMB'000* *(audited)*
Non-current liabilities			
Bank loans	16	**428,960**	516,000
Other loans	17	**128,000**	107,700
Senior notes	20	**2,737,230**	—
Deferred tax liabilities		**53,644**	51,493
		3,347,834	675,193
NET ASSETS		**5,175,649**	5,041,752
CAPITAL AND RESERVES	22		
Share capital		**215,185**	215,185
Reserves		**4,524,244**	4,427,303
Total equity attributable to equity shareholders of the Company		**4,739,429**	4,642,488
Non-controlling interests		**436,220**	399,264
TOTAL EQUITY		**5,175,649**	5,041,752

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company												
		Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve *(Note 21)*	Equity component of convertible bonds *(Note 19)*	Warrant reserve *(Note 19)*	Property revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012		215,185	1,637,759	627,676	804,529	64,805	28,150	43,166	11,906	–	1,209,312	4,642,488	399,264	5,041,752
Changes in equity for the six months ended 30 June 2012:														
Profit for the period		–	–	–	–	–	–	–	–	–	331,598	331,598	16,958	348,556
Other comprehensive income		–	–	–	–	(44,494)	–	–	–	6,479	–	(38,015)	(145)	(38,160)
Total comprehensive income		–	–	–	–	(44,494)	–	–	–	6,479	331,598	293,583	16,813	310,396
Dividends declared and paid	22(b)(ii)	–	–	–	–	–	–	–	–	–	(199,343)	(199,343)	–	(199,343)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(30,700)	(30,700)
Appropriation to statutory reserve fund		–	–	63,264	–	–	–	–	–	–	(63,264)	–	–	–
Equity settled share-based payment		–	–	–	–	–	2,944	–	–	–	–	2,944	–	2,944
Acquisition of additional interest in a subsidiary		–	–	–	(243)	–	–	–	–	–	–	(243)	(4,657)	(4,900)
Capital contribution by non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	55,500	55,500
Balance at 30 June 2012		215,185	1,637,759	690,940	804,286	20,311	31,094	43,166	11,906	6,479	1,278,303	4,739,429	436,220	5,175,649

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

for the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company												
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve fund *RMB'000*	Other capital reserve *RMB'000*	Exchange reserve *RMB'000*	Share-based compensation reserve *(Note 21)* *RMB'000*	Equity component of convertible bonds *(Note 19)* *RMB'000*	Warrant reserve *(Note 19)* *RMB'000*	Property revaluation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2011		179,637	1,076,820	470,517	824,020	6,571	22,090	43,166	11,906	–	861,091	3,495,818	275,866	3,771,684
Changes in equity for the six months ended 30 June 2011:														
Profit for the period		–	–	–	–	–	–	–	–	–	321,696	321,696	10,346	332,042
Other comprehensive income		–	–	–	–	27,122	–	–	–	–	–	27,122	(628)	26,494
Total comprehensive income		–	–	–	–	27,122	–	–	–	–	321,696	348,818	9,718	358,536
Issue of new shares upon rights issue	22(a)	35,548	560,939	–	–	–	–	–	–	–	–	596,487	–	596,487
Dividends declared and paid	22(b)(ii)	–	–	–	–	–	–	–	–	–	(162,615)	(162,615)	–	(162,615)
Appropriation to statutory reserve fund		–	–	62,804	–	–	–	–	–	–	(62,804)	–	–	–
Equity settled share-based payment		–	–	–	–	–	3,278	–	–	–	–	3,278	–	3,278
Acquisition of additional interest in a subsidiary		–	–	–	(21,798)	–	–	–	–	–	–	(21,798)	(202)	(22,000)
Capital contribution by non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	54,900	54,900
Balance at 30 June 2011		215,185	1,637,759	533,321	802,222	33,693	25,368	43,166	11,906	–	957,368	4,259,988	340,282	4,600,270

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Cash (used in)/generated from operation	**(175,650)**	725,036
Income tax paid	**(435,817)**	(399,992)
Net cash (used in)/generated from operating activities	**(611,467)**	325,044
Net cash used in investing activities	**(542,554)**	(584,829)
Net cash generated from financing activities	**961,697**	446,289
Net (decrease)/increase in cash and cash equivalents	**(192,324)**	186,504
Cash and cash equivalents at 1 January	**3,255,528**	3,370,335
Effect of changes in foreign exchange rate	**(12,807)**	(17,192)
Cash and cash equivalents at 30 June	**3,050,397**	3,539,647

The accompanying notes form part of this interim financial report.

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2011, except for the accounting policy change that is expected to be reflected in the financial statements for the year ending 31 December 2012. Details of this change in accounting policy are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 63 to 64. In addition, this interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2012.

2 CHANGE IN ACCOUNTING POLICY

The HKICPA has issued the amendments to HKAS 12, *Income taxes*, that are first effective for the current accounting period of the Group. The adoption of HKAS 12 has no material impact on this interim financial report as the amendments are consistent with policies already adopted by the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

(a) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(b) Turnover from major services

The Group's turnover from its major services is set out in note 4 to this interim financial report.

(c) Geographic information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan province in the People's Republic of China ("PRC").

4 TURNOVER

The principal activities of the Group are property development, property leasing and construction. Turnover of the Group for the period is analysed as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Income from sales of properties	**3,014,540**	2,511,611
Rental income	**10,881**	10,289
Revenue from construction contracts	**—**	7,221
	3,025,421	2,529,121

5 OTHER REVENUE AND OTHER NET LOSS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Other revenue		
Interest income	**61,230**	28,403
Dividend income from equity securities	**1,411**	1,078
Others	**—**	10
	62,641	29,491
Other net loss		
Net exchange (loss)/gain	**(14,450)**	17,664
Net unrealised gain/(loss) on trading securities	**5,379**	(30,863)
Gain on deemed disposal of a subsidiary	**1,640**	—
Net gain on disposals of property, plant and equipment	**58**	4
Compensation from contractors	**31**	189
	(7,342)	(13,006)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans	**55,437**	66,078
Interest on other loans	**88,651**	33,479
Interest on convertible bonds	**26,952**	26,765
Interest on senior notes	**139,851**	123,290
Other ancillary borrowing costs	**5,590**	3,239
	316,481	252,851
Less: Borrowing costs capitalised	**(147,162)**	(137,600)
	169,319	115,251
Net change in fair value of derivatives embedded to convertible bonds	**(52,414)**	14,613
Net change in fair value of derivatives embedded to senior notes	**(724)**	1,272
	116,181	131,136
(b) Other item		
Depreciation and amortisation	**15,239**	10,024

7 INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**229,217**	250,154
PRC Land Appreciation Tax	**196,042**	264,687
Withholding tax	**31,411**	2,593
	456,670	517,434
Deferred tax		
Revaluation of properties	**2,151**	179
PRC Land Appreciation Tax	**(29,114)**	(28,450)
	(26,963)	(28,271)
	429,707	489,163

(a) Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(b) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(c) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Company's subsidiaries in the PRC ("PRC subsidiaries") as determined in accordance with the relevant income tax rules and regulations of the PRC.

PRC subsidiaries were charged CIT at a rate of 25% on the estimated assessable profits for the period.

7 INCOME TAX (Continued)

(d) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain PRC subsidiaries were subject to LAT which is calculated based on 1.5% to 4.5% (six months ended 30 June 2011: 1.5% to 4.5%) of their revenue in accordance with the authorised taxation method.

(e) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profits of PRC subsidiaries earned after 1 January 2008 and interest received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 12%.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to equity shareholders of the Company of RMB331,598,000 (six months ended 30 June 2011: RMB321,696,000) and the weighted average of 2,428,000,000 shares (six months ended 30 June 2011: 2,056,659,000 shares after adjusting for the rights issue during the period ended 30 June 2011) in issue during the interim period.

8 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

For the period ended 30 June 2012, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB306,136,000 and the weighted average number of ordinary shares of 2,684,367,000 shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Six months ended 30 June 2012 *RMB'000*
Profit attributable to equity shareholders	**331,598**
After tax effect of effective interest on the liability component of convertible bonds *(note 6(a))*	**26,952**
After tax effect of gain recognised on derivatives embedded to convertible bonds *(note 6(a))*	**(52,414)**
Profit attributable to equity shareholders (diluted)	**306,136**

(ii) Weighted average number of ordinary shares (diluted)

	'000
Weighted average number of ordinary shares at 30 June 2012	**2,428,000**
Effect of conversion of convertible bonds	**256,367**
Weighted average number of ordinary shares at 30 June 2012 (diluted)	**2,684,367**

The Company's share options and warrants as at 30 June 2012 do not give rise to any dilution effect to the earnings per share.

The Company's share options, warrants and convertible bonds as at 30 June 2011 do not give rise to any dilution effect to the earnings per share.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group's additions in property, plant and equipment amounted to RMB339,000,000 (six months ended 30 June 2011: RMB175,820,000). Items of property, plant and equipment with a net book value of RMB1,126,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB122,000), resulting a gain on disposal of RMB58,000 (six months ended 30 June 2011: RMB4,000). During the period, properties for sale amounted to RMB9,824,000 (six months ended 30 June 2011: RMB Nil) were transferred to property, plant and equipment, and property, plant and equipment amounted to RMB8,321,000 (six months ended 30 June 2011: RMB Nil) were transferred to investment properties.

10 INVESTMENT PROPERTIES

All investment properties of the Group were revalued as at 30 June 2012 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The investment properties are valued by reference to net income with allowance for reversionary income potential. During the period, the net increase in fair value of investment properties was RMB9,952,000 (six months ended 30 June 2011: RMB1,380,000), the additions in investment properties of RMB3,600,000 (six months ended 30 June 2011: RMB Nil) and properties for sale and property, plant and equipment were transferred to investment properties amounted to RMB21,548,000 (six months ended 30 June 2011: RMB Nil).

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Share of net assets	**2,220,283**	2,171,116
Amounts due from jointly controlled entities	**1,249,397**	931,879
	3,469,680	3,102,995

Amounts due from jointly controlled entities, except for an amount of RMB632,633,000 (31 December 2011: RMB585,226,000) which is interest bearing at 7.56% (31 December 2011: 6.67%) per annum, are unsecured, interest-free and have no fixed terms of repayment, and are not expected to be recovered more than one year.

12 PROPERTIES FOR SALE

	At 30 June 2012 ***RMB'000***	At 31 December 2011 *RMB'000*
Properties held for future development and under development for sale	**7,177,383**	7,294,284
Completed properties held for sale	**1,597,106**	1,330,119
	8,774,489	8,624,403

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 ***RMB'000***	At 31 December 2011 *RMB'000*
Bill receivables	**2,930**	—
Trade receivables *(note (a))*	**19,050**	16,961
Other receivables *(note (b))*	**222,882**	173,456
Amounts due from related companies *(note (c))*	**183,108**	39,665
Loan to a related company *(note (d))*	**106,125**	100,000
Amounts due from non-controlling interests *(note (e))*	**36,700**	64,900
Loans to non-controlling interests *(note (f))*	**58,799**	29,999
Gross amounts due from customers for contract work	**14,085**	12,951
Derivative financial instruments *(notes 19 and 20)*	**15,697**	3,595
	659,376	441,527

13 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Current	**2,400**	268
Less than 1 month overdue	**172**	166
1 to less than 3 months overdue	**423**	128
3 to less than 6 months overdue	**384**	128
6 months to less than 1 year overdue	**525**	2,562
More than 1 year overdue	**15,146**	13,709
	19,050	16,961

In respect of trade receivables of mortgage sales, no credit terms are granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the properties and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the date of grant of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificates.

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownership of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual property ownership certificates for these buyers until full payments are received. Sales and marketing staffs of the Group are delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances. The Group does not hold any collateral over these balances, except for the mortgage loans receivables as set out in note 24.

(b) At 30 June 2012, included in other receivables is an amount of RMB21,298,000 (31 December 2011: RMB20,000,000) which is unsecured, interest bearing at 13% per annum and recoverable within one year.

(c) The amount due from a related company of RMB39,015,000 (31 December 2011: RMB39,015,000) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company in previous years. The amount is unsecured, interest-free and recoverable on demand.

The amount due from a related company of RMB65,675,000 (31 December 2011: RMB Nil) represents the prepaid expected basic return to the trust manager of jointly controlled entities, Bridge Trust Company Limited, according to the cooperation agreements. The amount is unsecured, interest-free and has no fixed terms of repayment.

The amount due from a related company of RMB77,700,000 (31 December 2011: RMB Nil) represents the management fee paid on behalf of the trust manager of jointly controlled entities, Bridge Trust Company Limited. The amount is unsecured, interest-free and has no fixed terms of repayment.

The remaining amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

13 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(d) The loan to a related company is secured, interest bearing at 12.25% per annum and has no fixed terms of repayment.

(e) The amounts due from non-controlling interests included an amount of RMB15,300,000 (31 December 2011: RMB15,300,000), which is secured, interest-free and recoverable within one year, the remaining amounts due from non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

(f) The loan to non-controlling interests of RMB29,999,000 (31 December 2011: RMB29,999,000) is unsecured, interest-bearing at 12% per annum and recoverable on demand.

The loan to non-controlling interests of RMB20,000,000 (31 December 2011: RMB Nil) is unsecured, interest bearing at 13.5% per annum and recoverable on 15 May 2013.

The loan to non-controlling interests of RMB8,800,000 (31 December 2011: RMB Nil) is unsecured, interest bearing at 13.5% per annum and has no fixed terms of repayment.

14 DEPOSITS AND PREPAYMENTS

At 30 June 2012, the balance included deposits and prepayments for leasehold land of RMB2,297,040,000 (31 December 2011: RMB1,416,449,000).

15 RESTRICTED BANK DEPOSITS

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Guarantee deposits in respect of:		
— mortgage loans related to properties sale	**192,692**	174,440
— bills payable *(note 18)*	**491,469**	394,423
— bank loans *(note 16(b))*	**84,228**	84,000
	768,389	652,863

16 BANK LOANS

(a) At 30 June 2012, bank loans were repayable as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Within 1 year or on demand	**1,225,840**	1,110,660
After 1 year but within 2 years	**270,360**	376,000
After 2 years but within 5 years	**158,600**	140,000
	428,960	516,000
	1,654,800	1,626,660

(b) At 30 June 2012, bank loans were secured as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Bank loans		
— secured	**1,612,800**	1,327,000
— unsecured	**42,000**	299,660
	1,654,800	1,626,660

16 BANK LOANS (Continued)

(b) (Continued)

At 30 June 2012, assets of the Group secured against bank loans are analysed as follows:

	At 30 June 2012 ***RMB'000***	At 31 December 2011 *RMB'000*
Properties for sale	**2,299,889**	2,429,526
Restricted bank deposits *(note 15)*	**84,228**	84,000
	2,384,117	2,513,526

(c) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain financial ratios of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants, ensures they are up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

At 30 June 2012, none of the covenants relating to drawn down facilities had been breached (31 December 2011: none).

17 OTHER LOANS

(a) At 30 June 2012, other loans were repayable as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Within 1 year	**1,714,350**	1,245,470
After 1 year but within 2 years	**81,000**	107,700
After 2 years but within 5 years	**47,000**	—
	128,000	107,700
	1,842,350	1,353,170

(b) At 30 June 2012, other loans were secured as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Other loans		
— secured	**554,750**	624,570
— unsecured	**1,287,600**	728,600
	1,842,350	1,353,170

17 OTHER LOANS (Continued)

(b) (Continued)

At 30 June 2012, assets of the Group secured against other loans are analysed as follows:

	At 30 June 2012 ***RMB'000***	At 31 December 2011 *RMB'000*
Properties for sales	**537,201**	394,622
Investment properties	**—**	106,200
	537,201	500,822

Apart from the above, secured other loans with carrying amount of RMB25,000,000 (31 December 2011: RMB25,000,000) were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB120,781,000 (31 December 2011: RMB124,877,000) at 30 June 2012.

18 TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 June 2012 ***RMB'000***	At 31 December 2011 *RMB'000*
Bill payables *(note 15)*	**491,469**	394,423
Trade payables *(note (a))*	**2,190,162**	1,926,937
Other payables and accruals	**668,967**	846,129
Amounts due to jointly controlled entities *(note (b))*	**2,158,186**	1,587,617
Amounts due to related companies *(note (b))*	**29**	29
Amounts due to non-controlling interests *(note (b))*	**168,040**	190,501
Loan from non-controlling interests *(note (c)*	**59,800**	—
Derivative financial instruments *(notes 19 and 20)*	**110,545**	132,959
	5,847,198	5,078,595

18 TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

(a) The ageing analysis of trade payables is set out as follows:

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
Due within 1 month or on demand	**1,896,572**	1,689,978
Due after 1 year	**293,590**	236,959
	2,190,162	1,926,937

(b) The amounts due to jointly controlled entities, related companies and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

(c) The loan from non-controlling interests is unsecured, interest bearing at 12% per annum and has no fixed terms of repayment.

19 CONVERTIBLE BONDS

On 31 August 2009, the Company issued unsecured convertible bonds with principal amount of HK$765,000,000 due 2014 and 76,097,561 warrants. The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is 31 August 2014. The convertible bonds can be converted to shares of the Company at HK$3.1 per share, subject to anti-dilutive adjustment, from 28 February 2010 to 31 August 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to 31 August 2014 at the exercise price of HK$4.1 per share, subject to anti-dilutive adjustment. Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments.

In addition to the above, the Company may early redeem all the convertible bonds from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

19 CONVERTIBLE BONDS (Continued)

The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for as derivative financial instruments and their fair value is remeasured at the end of each reporting period.

As a result of the rights issue of the Company on 28 June 2011, the conversion price of the convertible bonds and the exercise price of the warrants were adjusted to HK$2.984 and HK$3.947 respectively.

20 SENIOR NOTES

(a) On 20 October 2010, the Company issued senior notes with principal amount of US$300,000,000 due in 2015. The senior notes are interest bearing at 12.25% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 20 October 2015. On or after 20 October 2013, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

The Company had breached certain covenants ("Defaults") under the indenture of its 12.25% senior notes due 2015 ("Indenture"). The liability component of senior notes of RMB1,849,885,000 has been re-classified as a current liability in the financial statements at 31 December 2011.

Pursuant to the announcement dated 7 March 2012, the Company intends to solicit consents ("Consents") from the holders of senior notes ("Holders") to certain proposed amendments and waivers of the Defaults (together referred to as "the Proposals"). The consent solicitations have been circulated to each of the Holders on the same date. The principal purposes of the consent solicitation are to obtain validly delivered and not validly revoked Consents from Holders of not less than a majority in aggregate principal amount of the outstanding senior notes to the Proposals.

By 5:00 p.m., 16 March 2012 (New York City time), the Company had obtained Consents from Holders of not less that a majority in aggregate principal amount of the outstanding senior notes to the Proposals, and the maturity date of the senior notes remains unchanged as if there would have been no Defaults.

20 SENIOR NOTES (Continued)

(b) On 11 April 2012, the Company issued another senior notes with principal amount of SGD175,000,000 due in 2016. The senior notes are interest bearing at 10.75% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 18 April 2016. At any time prior to 18 April 2016, the Company may at its option redeem the senior notes, in whole but not in part, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

21 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Pre-IPO share option scheme

On 14 May 2008, the Company conditionally granted pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle the Company's directors and employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange, i.e. 6 June 2008. Under the pre-IPO share option scheme, no pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable within the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

On 28 June 2011, upon the right issue of the Company, the exercise price of pre-IPO share options was adjusted to HK$2.682 and the number of outstanding share options was adjusted from 28,150,000 to 28,859,380.

(b) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share options are exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(Expressed in Renminbi Yuan unless otherwise indicated)

21 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(b) Share options granted on 25 May 2010 (Continued)

On 28 June 2011, upon the rights issue of the Company, the exercise price of share options granted on 25 May 2010 was adjusted to HK$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

(c) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK$2.16 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(d) The number and the weighted average exercise price of share options are as follows:

	At 30 June 2012	
	Exercise price *HK$*	**Number of options**
Outstanding at 1 January	**2.32**	**57,697,860**
Lapsed during the period	**2.49**	**(4,063,000)**
Outstanding	**2.31**	**53,634,860**
Exercisable	**2.44**	**36,958,460**

No options were exercised during the six months ended 30 June 2012 (six months ended 30 June 2011: none).

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Issue of shares upon rights issue

On 28 June 2011, the Company issued 428,000,000 shares of HK$0.1 each by way of a rights issue in the proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK$1.71 per rights share. These newly issued shares rank equally in all respects with the existing shares. The net proceeds from the rights issue amounted to HK$718,171,000 (equivalent to RMB596,487,000).

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Interim dividend proposed after the interim period of HK$4.5 cents (equivalent to RMB3.7 cents) per ordinary share (six months ended 30 June 2011: RMB Nil)	**90,000**	—

The interim dividend proposed after interim period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of HK$10.0 cents (equivalent to RMB8.21 cents) per ordinary share (for the year ended 31 December 2011: HK$9.7 cents (equivalents to RMB8.13 cents) per ordinary share)	**199,343**	162,615

23 COMMITMENTS

Capital commitments outstanding at 30 June 2012 not provided for in the interim financial report are as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Authorised but not contracted for	**15,255,858**	14,921,680
Contracted but not provided for	**1,254,338**	1,277,718
	16,510,196	16,199,398

Capital commitments mainly related to land and development costs for the Group's properties under development and other investments.

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Properties under development undertaken by jointly controlled entities attributable to the Group		
Authorised but not contracted for	**853,560**	916,866
Contracted but not provided for	**242,653**	185,658
	1,096,213	1,102,524

24 CONTINGENT LIABILITIES

The Group provides guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee period commences from the date of grant of the relevant mortgage loans and ends after the buyers obtain the individual property ownership certificates of the properties purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's properties at 30 June 2012 is as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Guarantees given to banks for mortgage facilities granted to buyers of the Group's properties	**4,697,917**	4,697,633

The Directors do not consider it probable that the Group will sustain a loss under these guarantees during the period under guarantee as the Group has not applied for individual property ownership certificates for these buyers and can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the buyers default payments to the banks.

25 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, major related party transactions entered by the Group during the six months ended 30 June 2012 are as follows:

		Six months ended 30 June	
	Note	**2012**	2011
		RMB'000	*RMB'000*
Interest income from jointly controlled entities	(a)	**22,997**	14,617
Interest income from non-controlling interests	(a)	**5,084**	—
Interest income from related parties	(a)	**6,125**	—
Project management fee income from jointly controlled entities	(b)	**5,000**	—
Interest expenses to non-controlling interests	(c)	**(1,810)**	—
Interest expenses to jointly controlled entities	(c)	**(20,676)**	(5,831)
Management fee to trust manager of jointly controlled entity	(d)	**(7,163)**	—
Directors' remuneration	(e)	**(7,645)**	(8,699)

Notes:

(a) The amount represents interest income in relation to advances to jointly controlled entities, non-controlling interests and related parties.

(b) The amount represents project management fee received from jointly controlled entities for the management of property development projects during the period.

(c) The amount represents interest expenses in relation to loans from non-controlling interests and jointly controlled entities.

(d) The amount represents trust management fee paid to the trust manager of jointly controlled entity, Bridge Trust Company Limited, during the period.

(e) The Directors' remuneration during the period are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Directors' fees	**321**	488
Salary and other emoluments	**6,948**	6,808
Contribution to retirement benefit schemes	**46**	24
Share-based payment	**330**	1,379
	7,645	8,699

REVIEW REPORT TO THE BOARD OF DIRECTORS OF
CENTRAL CHINA REAL ESTATE LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 33 to 62 which comprises the consolidated statement of financial position of Central China Real Estate Limited (the "Company") as at 30 June 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF
CENTRAL CHINA REAL ESTATE LIMITED (CONTINUED)
(Incorporated in the Cayman Islands with limited liability)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

16 August 2012

Independent Auditor's Report

Independent auditor's report to the shareholders of
Central China Real Estate Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 60 to 154, which comprise the consolidated and company statements of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the shareholders of
Central China Real Estate Limited (Continued)
(Incorporated in Cayman Islands with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Turnover	4	**6,638,354**	4,516,351
Cost of sales		**(4,063,916)**	(2,970,439)
Gross profit		**2,574,438**	1,545,912
Other revenue	5	**71,419**	33,356
Other net (loss)/income	5	**(16,573)**	27,532
Selling and marketing expenses		**(162,385)**	(143,900)
General and administrative expenses		**(277,889)**	(234,044)
Other operating income/(expenses)		**13,338**	(8,062)
		2,202,348	1,220,794
Share of losses of associates	16	**(4,162)**	(2,224)
Share of losses of jointly controlled entities	17	**(7,277)**	(3,904)
Finance costs	6(a)	**(375,059)**	(122,853)
Profit before change in fair value of investment properties and income tax		**1,815,850**	1,091,813
Net increase in fair value of investment properties	14	**1,900**	3,673
Profit before taxation	6	**1,817,750**	1,095,486
Income tax	7(a)	**(1,074,820)**	(515,427)
Profit for the year		**742,930**	580,059
Attributable to:			
Equity shareholders of the Company		**667,995**	544,887
Non-controlling interests		**74,935**	35,172
Profit for the year		**742,930**	580,059
Earnings per share	11		
— Basic (RMB cents)		**29.77**	26.57
— Diluted (RMB cents)		**29.77**	25.59

The above statement should be read in conjunction with accompanying notes. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(c).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

(Expressed in Renminbi)

	2011 *RMB'000*	2010 *RMB'000*
Profit for the year	**742,930**	580,059
Other comprehensive income for the year (after tax and reclassification adjustments)		
Exchange differences on translation of financial statements of overseas subsidiaries	**58,924**	28,093
Total comprehensive income for the year	**801,854**	608,152
Attributable to:		
Equity shareholders of the Company	**726,229**	571,753
Non-controlling interests	**75,625**	36,399
Total comprehensive income for the year	**801,854**	608,152

There is no tax effect relating to the above component of the other comprehensive income.

The above statement should be read in conjunction with accompanying notes.

Consolidated Statement of Financial Position

at 31 December 2011

(Expressed in Renminbi)

	Note	**2011** **RMB'000**	2010 RMB'000
Non-current assets			
Property, plant and equipment	13	**945,421**	513,268
Investment properties	14	**278,800**	276,900
Interests in associates	16	**49,675**	40,837
Interests in jointly controlled entities	17	**3,102,995**	2,742,160
Other financial assets	18	**97,800**	71,800
Deferred tax assets	31(b)	**111,570**	18,260
		4,586,261	3,663,225
Current assets			
Trading securities	19	**74,878**	163,461
Properties for sale	20	**8,624,403**	6,334,705
Trade and other receivables	21	**441,527**	328,064
Deposits and prepayments	22	**1,733,818**	956,533
Prepaid tax	31(a)	**109,022**	80,468
Restricted bank deposits	23	**652,863**	536,376
Cash and cash equivalents		**3,255,528**	3,370,335
		14,892,039	11,769,942
Current liabilities			
Bank loans	24	**1,110,660**	1,423,859
Other loans	25	**1,245,470**	168,010
Trade and other payables and accruals	26	**5,078,595**	2,828,509
Receipts in advance	27	**3,098,425**	3,453,939
Convertible bonds	28	**549,665**	—
Senior notes (mature in 2015)	*2(b)(ii)/29*	***1,849,885***	*1,928,806*
Tax payable	31(a)	**828,655**	311,806
		13,761,355	10,114,929
Net current assets		**1,130,684**	1,655,013
Total assets less current liabilities		**5,716,945**	5,318,238

Consolidated Statement of Financial Position *(Continued)*

at 31 December 2011

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Bank loans	24	**516,000**	492,416
Other loans	25	**107,700**	449,870
Convertible bonds	28	**—**	552,209
Deferred tax liabilities	31(b)	**51,493**	52,059
		675,193	1,546,554
NET ASSETS		**5,041,752**	3,771,684
CAPITAL AND RESERVES			
Share capital	32(a)	**215,185**	179,637
Reserves		**4,427,303**	3,316,181
Total equity attributable to equity shareholders of the Company		**4,642,488**	3,495,818
Non-controlling interests		**399,264**	275,866
TOTAL EQUITY		**5,041,752**	3,771,684

Approved and authorised for issue by the board of directors on 29 March 2012.

Wu Po Sum *Executive Director*

Wang Tianye *Executive Director*

The above statement should be read in conjunction with accompanying notes.

Statement of Financial Position

at 31 December 2011

(Expressed in Renminbi)

	Note	**2011** **RMB'000**	2010 RMB'000
Non-current assets			
Interest in subsidiaries	15	**4,372,200**	3,836,883
Current assets			
Derivative financial instruments	21	**3,595**	36,902
Cash and cash equivalents		**219,691**	191,470
		223,286	228,372
Current liabilities			
Convertible bonds	28	**549,665**	—
Senior notes (mature in 2015)	*2(b)(ii)/29*	***1,849,885***	*1,928,806*
Other payables and accruals	26	**176,197**	140,642
Amount due to a subsidiary	15	**3,258**	—
		2,579,005	2,069,448
Net current liabilities		**(2,355,719)**	(1,841,076)
Total assets less current liabilities		**2,016,481**	1,995,807
Non-current liabilities			
Convertible bonds	28	**—**	552,209
NET ASSETS		**2,016,481**	1,443,598
CAPITAL AND RESERVES	32		
Share capital		**215,185**	179,637
Reserves		**1,801,296**	1,263,961
TOTAL EQUITY		**2,016,481**	1,443,598

Approved and authorised for issue by the board of directors on 29 March 2012.

Wu Po Sum	**Wang Tianye**
Executive Director	*Executive Director*

The above statement should be read in conjunction with accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company											
		Share capital (Note 32(a))	Share premium (Note 32(b)(i))	Statutory reserve fund (Note 32(b)(ii))	Other capital reserve (Note 32(b)(iii))	Exchange reserve (Note 32(b)(iv))	Share-based compensation reserve (Note 32(b)(v))	Equity component of convertible bonds (Note 28)	Warrant reserve (Note 28)	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011		179,637	1,076,820	470,517	824,020	6,571	22,090	43,166	11,906	861,091	3,495,818	275,866	3,771,684
Changes in equity for 2011:													
Profit for the year		–	–	–	–	–	–	–	–	667,995	667,995	74,935	742,930
Other comprehensive income		–	–	–	–	58,234	–	–	–	–	58,234	690	58,924
Total comprehensive income		–	–	–	–	58,234	–	–	–	667,995	726,229	75,625	801,854
Dividend declared and paid	32(c)(ii)	–	–	–	–	–	–	–	–	(162,615)	(162,615)	–	(162,615)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(21,500)	(21,500)
Appropriation to statutory reserve fund		–	–	157,159	–	–	–	–	–	(157,159)	–	–	–
Issue of new shares upon rights issue	32(a)(ii)	35,548	560,939	–	–	–	–	–	–	–	596,487	–	596,487
Capital contribution from non-controlling interests		–	–	–	2,307	–	–	–	–	–	2,307	98,893	101,200
Equity settled share-based payment		–	–	–	–	–	6,060	–	–	–	6,060	–	6,060
Acquisition of additional interest in subsidiaries	37(b)	–	–	–	(21,798)	–	–	–	–	–	(21,798)	(202)	(22,000)
Acquisition of a subsidiary	37(a)	–	–	–	–	–	–	–	–	–	–	20,000	20,000
Disposal of a subsidiary	17	–	–	–	–	–	–	–	–	–	–	(49,418)	(49,418)
		35,548	560,939	157,159	(19,491)	–	6,060	–	–	(319,774)	420,441	47,773	468,214
Balance at 31 December 2011		215,185	1,637,759	627,676	804,529	64,805	28,150	43,166	11,906	1,209,312	4,642,488	399,264	5,041,752

Consolidated Statement of Changes in Equity *(Continued)*

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	Share capital *(Note 32(a))* *RMB'000*	Share premium *(Note 32(b)(i))* *RMB'000*	Statutory reserve fund *(Note 32(b)(ii))* *RMB'000*	Other capital reserve *(Note 32(b)(iii))* *RMB'000*	Exchange reserve *(Note 32(b)(iv))* *RMB'000*	Share-based compensation reserve *(Note 32(b)(v))* *RMB'000*	Equity component of convertible bonds *(Note 28)* *RMB'000*	Warrant reserve *(Note 28)* *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
		Attributable to equity shareholders of the Company											
Balance at 1 January 2010		179,637	1,076,820	322,814	913,502	(20,295)	14,947	43,166	11,906	581,860	3,124,357	195,336	3,319,693
Change in equity for 2010:													
Profit for the year		–	–	–	–	–	–	–	–	544,887	544,887	35,172	580,059
Other comprehensive income		–	–	–	–	26,866	–	–	–	–	26,866	1,227	28,093
Total comprehensive income		–	–	–	–	26,866	–	–	–	544,887	571,753	36,399	608,152
Dividend declared and paid	32(c)(ii)	–	–	–	–	–	–	–	–	(117,953)	(117,953)	–	(117,953)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(24,007)	(24,007)
Appropriation to statutory reserve fund		–	–	147,703	–	–	–	–	–	(147,703)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	46,000	46,000
Equity settled share-based payment		–	–	–	–	–	7,143	–	–	–	7,143	–	7,143
Acquisition of additional interest in subsidiaries		–	–	–	(89,482)	–	–	–	–	–	(89,482)	(46,797)	(136,279)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	68,935	68,935
		–	–	147,703	(89,482)	–	7,143	–	–	(265,656)	(200,292)	44,131	(156,161)
Balance at 31 December 2010		179,637	1,076,820	470,517	824,020	6,571	22,090	43,166	11,906	861,091	3,495,818	275,866	3,771,684

The above statement should be read in conjunction with accompanying notes.

Consolidated Cash Flow Statement

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	**2011**	2010
		RMB'000	*RMB'000*
Operating activities			
Profit before taxation		**1,817,750**	1,095,486
Adjustments for:			
Net exchange gain		**(47,406)**	—
Interest income		**(69,251)**	(31,999)
Depreciation and amortisation		**22,119**	15,111
Equity settled share-based payment expenses		**6,060**	7,143
Dividend income from unlisted equity securities		**(2,078)**	(1,307)
Net increase in fair value of investment properties		**(1,900)**	(3,673)
Net gain on disposals of property, plant and equipment		**(3,091)**	(443)
Share of losses of associates		**4,162**	2,224
Share of losses of jointly controlled entities		**7,277**	3,904
Finance costs		**375,059**	122,853
Net realised and unrealised loss/(gain) on trading securities		**67,070**	(6,869)
Gain on disposal of a subsidiary		**—**	(1,351)
Operating profit before changes in working capital		**2,175,771**	1,201,079
Increase in properties for sale		**(941,720)**	(1,131,401)
Decrease/(increase) in trade and other receivables		**1,835,763**	(32,689)
(Increase)/decrease in deposits and prepayments		**(2,717,742)**	198,571
Increase in restricted bank deposits		**(116,487)**	(89,387)
Increase in trade and other payables and accruals		**1,143,541**	394,820
(Decrease)/increase in receipts in advance		**(355,514)**	1,684,491
Cash generated from operations carried forward		**1,023,612**	2,225,484

Consolidated Cash Flow Statement *(Continued)*

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	**2011** **RMB'000**	2010 RMB'000
Cash generated from operations brought forward		**1,023,612**	2,225,484
PRC tax paid		**(680,401)**	(412,732)
Net cash generated from operating activities		**343,211**	1,812,752
Investing activities			
Payment for purchase of property, plant and equipment		**(456,843)**	(212,939)
Proceeds from disposals of property, plant and equipment		**6,034**	709
Payment for purchase of trading securities		**(200,000)**	(156,592)
Proceeds from disposal of trading securities		**216,045**	—
Acquisition of additional interest in subsidiaries	37(b)	**(22,000)**	(136,279)
Payment for capital injection in jointly controlled entities		**(1,018,401)**	(738,724)
Net cash outflow upon deemed disposals of subsidiaries	17	**(2,444)**	(11,494)
Payment for purchase of other financial assets		**(26,000)**	(56,000)
Acquisition of an associate		**—**	(4,500)
Net cash paid upon acquisitions of subsidiaries	37(a)	**(69,367)**	(287,864)
Net cash received upon disposal of a subsidiary		**—**	257
Advances to associates		**(13,000)**	(19,090)
Repayment from/(advances to) jointly controlled entities		**633,052**	(1,105,509)
Dividend received from unlisted equity securities		**2,078**	1,307
Dividend received from jointly controlled entities		**18,870**	—
Interest received		**69,251**	31,999
Net cash used in investing activities		**(862,725)**	(2,694,719)

Consolidated Cash Flow Statement *(Continued)*

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Financing activities			
Proceeds from new bank loans		**1,237,114**	1,248,762
Repayment of bank loans		**(1,526,729)**	(1,045,303)
Proceeds from new other loans		**1,947,600**	930,470
Repayment of other loans		**(1,212,310)**	(781,110)
Net proceeds from issue of new shares upon rights issue		**596,487**	—
Net proceeds from senior notes		**—**	1,971,809
Interest paid		**(554,436)**	(303,139)
Dividend paid		**(162,615)**	(117,953)
Dividend paid to non-controlling interests		**(21,500)**	(24,007)
Capital contribution from non-controlling interests		**101,200**	46,000
Net cash generated from financing activities		**404,811**	1,925,529
Net (decrease)/increase in cash and cash equivalents		**(114,703)**	1,043,562
Cash and cash equivalents at 1 January		**3,370,335**	2,364,987
Effect of foreign exchange rate changes		**(104)**	(38,214)
Cash and cash equivalents at 31 December		**3,255,528**	3,370,335

The above statement should be read in conjunction with accompanying notes.

1 GENERAL

Central China Real Estate Limited ("the Company") was incorporated in the Cayman Islands on 15 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business is at Room 7701B–7702A, 77th Floor, International Commence Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principle activity of the Company is investment holding and its subsidiaries are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand.

(ii) The liability component of senior notes of RMB1,849,885,000 (2010: RMB1,928,806,000) has been re-classified as a current liability at the end of reporting periods, following the breach of certain covenants of the senior notes. More details are set out in note 29(a).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

(iii) The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment property (see note 2(g));

— financial instruments classified as trading securities (see note 2(e)); and

— derivative financial instruments (see note 2(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future period are discussed in note 38.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and jointly controlled entities (Continued)

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised in fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(d)).

(e) Other investments in equity securities

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends earned on these investments as these are recognised in accordance with the policies set out in note 2(v)(v).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(j)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties (Continued)

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(v)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

(h) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(j)):

— buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(i)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

— Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion

— Furniture, fixtures and equipment 5 to 10 years

— Motor vehicles 5 years

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

(i) Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)) or properties for sale (see note 2(k)).

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: (see note 2(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates and jointly controlled entities recognised using the equity method (see note 2(d)), the impairment loss is measured by comparing the receivable amount of the investment as a whole with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(l) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of our asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(v)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Construction contracts (Continued)

Construction contracts in progress at the end of the reporting period are recorded in the statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as liability), as applicable. Progress billings not yet paid by the customer are included in the statement of financial position under "Trade and other receivables". Amounts received before the related work is performed are included in the statement of financial position, as a liability, as "Receipts in advance".

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Convertible bonds with detachable warrants

Convertible bonds of the Company are issued with detachable warrants. Where the convertible bonds can be converted to equity share capital at the option of the holder and the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, and where the warrants issued by the Company will be settled by exchange of the warrants and fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, convertible bonds with detachable warrants are accounted for as compound financial instruments, which contain a liability component and an equity component. The early redemption options embedded to the convertible bonds with detachable warrants are separately accounted for as derivative financial instruments in accordance with the accounting policy set out in note 2(f).

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

Transaction costs that relate to the issue of the convertible bonds with detachable warrants, are allocated to the liability component and equity component and derivative financial instruments in proportion to allocation of proceeds. The portion of the transaction costs relating to the liability component and equity component is recognised initially as part of the liability and equity respectively. The portion relating to the derivative component is recognised immediately in profit or loss.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bonds are converted or redeemed. The derivative financial instruments is subsequently remeasured in accordance with note 2(f).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Convertible bonds with detachable warrants (Continued)

If the bonds are converted, the respective capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the respective capital reserve is released directly to retained profits. If the warrants are exercised, the respective capital reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the respective capital reserve is released directly to retained profits.

(o) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), trade and other payable are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial (Cox, Ross, Rubinstein) model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause is recognised when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under "Receipts in advance".

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Revenue from operating leases excludes business tax or other sales related taxes.

(iii) Contract revenue

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

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Contract revenue excludes business tax or other sales related taxes.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition (Continued)

(v) Dividend income

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised on profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HKAS 24 (revised 2009), *Related party disclosures*

— Improvements to HKFRSs (2010)

— HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

— HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

— *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in notes 28, 29 and 33 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

4 TURNOVER

The principal activities of the Group are property development, property leasing and construction.

Turnover represents income from sales of properties, rental income and revenue from construction contracts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2011	2010
	RMB'000	*RMB'000*
Income from sales of properties	**6,607,504**	4,391,722
Rental income	**23,629**	25,143
Revenue from construction contracts	**7,221**	99,486
	6,638,354	4,516,351

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2011	2010
	RMB'000	*RMB'000*
Other revenue		
Interest income	**69,251**	31,999
Dividend income from unlisted equity securities	**2,078**	1,307
Others	**90**	50
	71,419	33,356

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME (Continued)

	2011 **RMB'000**	2010 RMB'000
Other net (loss)/income		
Net gain on disposals of property, plant and equipment	**3,091**	443
Gain on disposal of a subsidiary	**—**	1,351
Net exchange gain	**47,406**	18,869
Net realised and unrealised (loss)/gain on trading securities	**(67,070)**	6,869
	(16,573)	27,532

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2011 **RMB'000**	2010 RMB'000
(a) Finance costs		
Interest on bank loans	**91,920**	113,323
Interest on other loans	**108,641**	95,917
Interest on convertible bonds *(note 11(b)(i))*	**53,617**	53,984
Interest on senior notes	**243,081**	48,917
Interest on advances from customers	**—**	5,297
Other ancillary borrowing costs	**5,691**	7,391
	502,950	324,829
Less: Borrowing costs capitalised *	**(207,137)**	(190,424)
	295,813	134,405
Net change in fair value of derivatives embedded to convertible bonds *(notes 11(b)(i) and 28)*	**76,977**	(9,480)
Net change in fair value of derivatives embedded to senior notes *(note 29)*	**2,269**	(2,072)
	375,059	122,853

* Borrowing costs have been capitalised at a rate of 5.12%–14.00% (2010: 1.29%–14.00%) per annum.

6 PROFIT BEFORE TAXATION (Continued)

	2011 RMB'000	2010 RMB'000
(b) Staff costs		
Salaries, wages and other benefits	**198,903**	134,231
Including:		
— Retirement scheme contributions	**12,063**	7,353
— Equity settled share-based payment expenses *(note 32(b))*	**6,060**	7,143

Employees of the Company's subsidiaries in the PRC ("PRC subsidiaries") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also maintains a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2011 RMB'000	2010 RMB'000
(c) Other items		
Depreciation and amortisation	**22,119**	15,111
Reversal of impairment loss on other receivables	**—**	(4,182)
Auditors' remuneration	**3,980**	3,065
Cost of properties sold	**4,055,662**	2,876,932
Operating lease charges in respect of properties	**3,992**	2,395
Rentals receivable less direct outgoings of RMB1,429,000 (2010: RMB2,050,000)	**(22,200)**	(23,093)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 RMB'000	2010 RMB'000
Current tax		
PRC Corporate Income Tax	**555,975**	274,890
PRC Land Appreciation Tax	**579,176**	226,798
Withholding tax	**33,545**	27,689
	1,168,696	529,377
Deferred tax		
Revaluation of properties	**144**	(12,380)
Land Appreciation Tax	**(93,310)**	1,037
Other temporary differences	**(710)**	(2,607)
	(93,876)	(13,950)
	1,074,820	515,427

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(iii) ***PRC Corporate Income Tax ("CIT")***

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

PRC subsidiaries were charged at a rate of 25% (2010: 25%) on the estimated assessable profits for the year.

For the year ended 31 December 2010, certain PRC subsidiaries were subject to CIT calculated based on the deemed profit which represents 10% to 15% of their revenue in accordance with the authorised taxation method (核定徵收) pursuant to the applicable PRC tax regulations. The tax rate was 25% on the deemed profit. None of the PRC subsidiaries were subject to authorised taxation method on CIT for the current year.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

(iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain PRC subsidiaries were subject to LAT which is calculated based on 1.5% to 4.5% (2010: 1.5% to 4.5%) of their revenue in accordance with the authorised taxation method.

(v) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 12%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**1,817,750**	1,095,486
Notional tax on profit before taxation calculated at 25%	**454,437**	273,872
Difference in tax rates for certain subsidiaries	**32,386**	14,012
Tax effect of non-taxable revenue	**(8,249)**	(7,722)
Tax effect of non-deductible expenses	**123,197**	39,385
Tax effect of unused tax losses not recognised	**12,953**	12,726
Utilisation of tax loss not recognised in prior years	**(7,831)**	(5,318)
Tax effect of adopting authorised taxation method	**—**	(9,315)
Withholding tax	**33,545**	27,689
LAT	**579,176**	226,798
Tax effect of LAT	**(144,794)**	(56,700)
Income tax expense	**1,074,820**	515,427

8 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out as follows:

2011

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(Note 30)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Wu Po Sum	—	3,958	10	—	563	4,531
Wang Tianye	—	3,442	10	2,684	425	6,561
Yan Yingchun	—	994	10	331	389	1,724
Non-executive directors						
Lim Ming Yan	83	—	—	—	89	172
Leow Juan Thong Jason	83	—	—	—	54	137
Wallis Wu (alias Li Hua)	215	—	10	—	—	225
Hu Yongmin	—	—	—	—	—	—
Independent non-executive directors						
Cheung Shek Lun	199	—	—	—	—	199
Wang Shi	199	—	—	—	—	199
Xin Luolin	199	—	—	—	—	199
Total	978	8,394	40	3,015	1,520	13,947

8 DIRECTORS' REMUNERATION (Continued)

2010

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(Note 30)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Wu Po Sum	—	3,382	11	—	1,365	4,758
Wang Tianye	—	2,900	11	3,174	730	6,815
Yan Yingchun	—	919	11	—	565	1,495
Non-executive directors						
Lim Ming Yan	87	—	—	—	412	499
Leow Juan Thong Jason	87	—	—	—	248	335
Wallis Wu (alias Li Hua)	225	—	11	—	—	236
Hu Yongmin	—	—	—	—	—	—
Independent non-executive directors						
Cheung Shek Lun	208	—	—	—	—	208
Wang Shi	210	—	—	—	—	210
Xin Luolin	173	—	—	—	—	173
Total	990	7,201	44	3,174	3,320	14,729

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the current or prior years. No director has waived or agreed to waive any emoluments for the current or prior years.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2010: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2010: two) individuals are as follows:

	2011	2010
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,342**	1,962
Discretionary bonuses	**1,292**	1,489
Share-based payments	**681**	453
Retirement scheme contributions	**10**	44
	4,325	3,948

The emoluments of these two (2010: two) individuals with the highest emoluments are within the following bands:

	2011	2010
RMB1,000,001 to RMB1,500,000	**1**	1
RMB1,500,001 to RMB2,000,000	**—**	—
RMB2,000,001 to RMB2,500,000	**—**	1
RMB2,500,001 to RMB3,000,000	**1**	—

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB204,987,000 (2010: RMB157,376,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 32(c).

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB667,995,000 (2010: RMB544,887,000) and the weighted average number of 2,243,855,342 ordinary shares (2010: 2,050,400,000 shares after adjusting for the rights issue during the year ended 31 December 2011) in issued during the year, calculated as follows:

	2011	2010
	'000	*'000*
Issued ordinary shares 1 January	**2,000,000**	2,000,000
Shares issued in respect of rights issue/adjustment for rights issue	**243,855**	50,400
Weighted average number of ordinary shares	**2,243,855**	2,050,400

(b) Diluted earnings per share

The Company's share options, warrants and convertible bonds as at 31 December 2011 do not give rise to any dilution effect to the earnings per share. 97

For the year ended 31 December 2010, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB589,391,000 and the weighted average number of ordinary shares of 2,303,392,903 shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2010
	RMB'000
Profit attributable to equity shareholders	544,887
After tax effect of effective interest on the liability component of convertible bonds *(note 6(a))*	53,984
After tax effect of gain recognised on derivatives embedded to convertible bonds *(note 6(a))*	(9,480)
Profit attributable to equity shareholders (diluted)	589,391

11 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

(ii) Weighted average number of ordinary shares (diluted)

	2010
	'000
Weighted average number of ordinary shares at 31 December	2,050,400
Effect of conversion of convertible bonds	252,993
Weighted average number of ordinary shares at 31 December (diluted) after adjusting for the rights issue during the year ended 31 December 2011	2,303,393

The Company's share options and warrants as at 31 December 2010 do not give rise to any dilution effect to the earnings per share.

12 SEGMENT REPORTING

Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8.

Turnover from major services

The Group's turnover from its major services is set out in note 4 to the financial statements.

Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan Province in the PRC.

13 PROPERTY, PLANT AND EQUIPMENT

The Group

2011

	Interests in leasehold land held for own use under operating lease *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2011	192,705	165,269	187,729	27,159	17,633	590,495
Additions	—	256	440,170	10,579	5,357	456,362
Disposals	—	(2,345)	—	(3,000)	(1,002)	(6,347)
Transfer	—	141,365	(141,365)	—	—	—
Acquisition of subsidiaries	—	—	—	156	325	481
At 31 December 2011	192,705	304,545	486,534	34,894	22,313	1,040,991
Accumulated depreciation and amortisation:						
At 1 January 2011	6,627	48,022	—	11,925	10,653	77,227
Charge for the year	4,626	9,423	—	5,461	2,500	22,010
Written back on disposals	—	(173)	—	(2,810)	(793)	(3,776)
Acquisition of subsidiaries	—	—	—	33	76	109
At 31 December 2011	11,253	57,272	—	14,609	12,436	95,570
Net book value:						
At 31 December 2011	181,452	247,273	486,534	20,285	9,877	945,421

13 PROPERTY, PLANT AND EQUIPMENT (Continued)
The Group (Continued)

2010

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2010	46,738	115,351	108,980	21,513	15,608	308,190
Additions	112,843	—	90,254	6,757	3,125	212,979
Disposals	—	—	—	(1,111)	(1,100)	(2,211)
Transfer	—	11,505	(11,505)	—	—	—
Transfer from properties for sale	33,124	38,413	—	—	—	71,537
At 31 December 2010	192,705	165,269	187,729	27,159	17,633	590,495
Accumulated depreciation and amortisation:						
At 1 January 2010	4,622	41,163	—	8,812	9,430	64,027
Charge for the year	2,005	6,859	—	4,132	2,115	15,111
Written back on disposals	—	—	—	(1,019)	(892)	(1,911)
At 31 December 2010	6,627	48,022	—	11,925	10,653	77,227
Net book value:						
At 31 December 2010	186,078	117,247	187,729	15,234	6,980	513,268

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of carrying value of leasehold land is set out as follows:

	2011	2010
	RMB'000	*RMB'000*
Long leases	**24,069**	24,597
Medium-term leases	**157,383**	161,481
	181,452	186,078

All the leasehold land of the Group are located in the PRC.

None of the Group's property, plant and equipment (2010: with carrying value of RMB106,997,000) were pledged as securities of the Group's other loans. Details are set out in note 25.

14 INVESTMENT PROPERTIES

The Group

	Completed *RMB'000*	**Under development** *RMB'000*	**Total** *RMB'000*
At 1 January 2010	251,500	12,900	264,400
Surplus on revaluation	3,673	—	3,673
Transfer	12,900	(12,900)	—
Transfer from properties for sale	8,827	—	8,827
At 31 December 2010	276,900	—	276,900
Representing:			
Valuation — 2010	276,900	—	276,900
At 1 January 2011	**276,900**	**—**	**276,900**
Surplus on revaluation	**1,900**	**—**	**1,900**
At 31 December 2011	**278,800**	**—**	**278,800**
Representing:			
Valuation — 2011	**278,800**	**—**	**278,800**

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at 31 December 2011 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued on an open market value basis calculated by reference to net rental income allowance for reversionary income potential.

14 INVESTMENT PROPERTIES (Continued)

The Group (Continued)

(b) The analysis of fair value of investment is set out as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
In PRC		
— long leases	**191,100**	189,500
— medium-term leases	**87,700**	87,400
	278,800	276,900

The Group's investment properties with fair value of RMB106,200,000 (2010: RMBNil) were pledged as securities for the Group's other loans. Details are set out in note 25.

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**9,676**	1,536
After 1 year but within 5 years	**45,612**	6,384
After 5 years	**28,406**	207
	83,694	8,127

15 INTEREST IN SUBSIDIARIES

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Unlisted shares, at cost	**135,135**	135,135
Amounts due from subsidiaries *(note (a))*	**4,237,065**	3,701,748
	4,372,200	3,836,883
Amounts due to a subsidiary *(note (b))*	**3,258**	—

Notes:

(a) Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered after more than one year.

(b) Amount due to a subsidiary is unsecured, interest-free and repayable on demand.

(Expressed in Renminbi)

15 INTEREST IN SUBSIDIARIES (Continued)

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Ahead Properties Limited	Hong Kong	HK$1	—	100%	Investment holding	Limited liability company
Anyang Central China Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	—	100%	Property development	Wholly owned foreign enterprise
Artstar Investments Limited*	The British Virgin Islands and Hong Kong	US$10,000	—	95%	Investment holding	Private company
Bumper Up Limited	The British Virgin Islands and Hong Kong	US$1	—	100%	Investment holding	Limited liability company
Central China Forest Peninsula (Henan) Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Forest Peninsula (Kaifeng) Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	—	60%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited*	Henan, the PRC	RMB10,000,000	—	100%	Hotel management	Limited liability company
Central China New Land (Henan) Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	—	55%	Property development	Limited liability company
Central China Properties Development Limited	Hong Kong	HK$1	—	100%	Inactive	Private company
Central China Premier Service (Zhengzhou) Company Limited*	Henan, the PRC	RMB30,000,000	—	100%	Wine trading	Limited liability company
Central China Real Estate Gold Dragon Company Limited*	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Group (Sanmenxia) Company Limited*	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Central China Real Estate Xinxiang Jili Company Limited*	Henan, the PRC	RMB60,000,000	—	60%	Property development	Limited liability company
Central China Real Estate Group Jiaozuo Company Limited*	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Central China Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB673,000,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Nanyang Hotel Company Limited*	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Wugang Company Limited*	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Central China Real Estate (Zhengzhou) Company Limited*	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited*	Henan, the PRC	RMB2,360,000,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate He Bi Co. Ltd.*	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Holdings Limited	The British Virgin Islands and Hong Kong	US$13,289	—	100%	Investments holding	Private company
Central China Real Estate Investments Limited	Hong Kong	HK$1	—	100%	Investments holding	Private company
Central China Triumph Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company
Construction Premier Service Limited	Hong Kong	HK$1	—	100%	Inactive	Private company
Country Star Holdings Limited	Hong Kong	HK$1	—	95%	Investments holding	Private company

(Expressed in Renminbi)

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Henan Central China Commercial Properties Management Company Limited*	Henan, the PRC	RMB80,000,000	—	100%	Consulting property investment, leasing and management	Limited liability company
Henan Central China Heating Supply Company Limited*	Henan, the PRC	RMB15,000,000	—	100%	Provision of heating and hot water	Limited liability company
Henan Central China Real Estate Company Limited* *(note (a))*	Henan, the PRC	RMB390,000,000	—	100%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited*	Henan, the PRC	RMB120,100,000	—	100%	Property development	Limited liability company
Henan Central China Yaxing Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	—	51%	Property development	Limited liability company
Henan Coal Chemical Central China Real Estate Development Investment Company Limited*	Henan, the PRC	RMB 100,000,000	—	100%	Property development	Limited liability company
Henan Central China Zhizun Hotel Company Limited*	Henan, the PRC	RMB2,000,000	—	100%	Hotel operation	Limited liability company
Henan Central China Kanghui Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	—	60%	Property development	Limited liability company
Henan Jianzheng Property Development Company Limited*	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company
Henan Yuanda Company Limited*	Henan, the PRC	RMB47,877,400	—	100%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited*	Henan, the PRC	RMB8,000,000	—	60%	Property development	Limited liability company
Henan Shengtai Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Henan United Clubs Management Company Limited*	Henan, the PRC	RMB5,000,000	—	60%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited*	Henan, the PRC	RMB150,000,000	—	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited*	Henan, the PRC	RMB35,000,000	—	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Joy Ascend Holdings Limited*	The British Virgin Islands and Hong Kong	US$14,618	100%	—	Investments holding	Private company
Kaifeng Central China Dahong Real Estate Company Limited*	Henan, the PRC	RMB150,000,000	—	60%	Property development	Limited liability company
Kaifeng Central China Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	—	80%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Luohe Central China Changjian Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	—	100%	Property development	Limited liability company
Nanyang Central China Real Estate Company Limited*	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China Real Estate Company Limited*	Henan, the PRC	RMB28,000,000	—	100%	Property development	Wholly owned foreign enterprise
Puyang Central China Real Estate Company Limited*	Henan, the PRC	RMB40,500,000	—	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited*	Henan, the PRC	RMB38,000,000	—	100%	Property development	Wholly owned foreign enterprise

(Expressed in Renminbi)

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities	Legal form
Shanghai Yujin Investments Consultancy Company Limited*	Henan, the PRC	RMB1,000,000	—	100%	Investment holding	Limited liability company
Shangqiu Central China Real Estate Company Limited*	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Jianye Huarun Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Universal Food Development (Henan) Company Limited*	Henan, the PRC	RMB4,500,000	—	100%	Property development	Limited liability company
Wugang Central China Zhizun Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company
Xinxiang Central China Real Estate Company Limited*	Henan, the PRC	RMB44,900,000	—	100%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited**(note(b))*	Henan, the PRC	RMB30,000,000	—	50%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited*	Henan, the PRC	RMB58,000,000	—	60%	Property development	Limited liability company
Xiuwu Central China Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited*	Henan, the PRC	RMB57,000,000	—	100%	Property development	Wholly owned foreign enterprise
Xuchang Fengtai Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	—	60%	Property development	Limited liability company
Xuchang Jinyue Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	—	70%	Property development	Limited liability company
Xuchang One City Development Company Limited**(note (c))*	Henan, the PRC	RMB30,000,000	—	49%	Property development	Limited liability company

(Expressed in Renminbi)

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Yanling Central China Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	—	60%	Travel	Limited liability company
Yanshi Yaxin Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	—	60%	Property development	Limited liability company
Yuzhou New Plaza Construction & Development Company Limited*	Henan, the PRC	RMB10,000,000	—	75%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Zhengzhou Newcity Development Company Limited*	Henan, the PRC	RMB50,000,000	—	100%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited*	Henan, the PRC	RMB59,690,720	—	95%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Company Limited*	Henan, the PRC	RMB37,577,000	—	100%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company

* KPMG are not statutory auditors of these subsidiaries.

Notes:

(a) 48.72% interests in Henan Central China Real Estate Company Limited is registered in the name of a trust company pursuant to a trust arrangement.

(b) Xinyang Central China Tianming Real Estate Company Limited (“CCRE Xinyang”) is regarded as a subsidiary as the Group controls the board of directors of CCRE Xinyang pursuant to its articles of association.

(c) Xuchang One City Development Company Limited (“Xuchang One City”) is regarded as a subsidiary as the Group controls the board of directors of Xuchang One City pursuant to its articles of association.

(d) The English names of the PRC subsidiaries referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

16 INTERESTS IN ASSOCIATES

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Share of net assets	**17,585**	21,747
Amounts due from associates	**32,090**	19,090
	49,675	40,837

Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered after more than one year.

Details of the Group's interests in associates are set out as follows:

			Proportion of ownership interest			
Name of company	**Place of incorporation and operation**	**Registered capital**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**	**Legal form**
St. Andrews Golf Club (Zhengzhou) Company Limited*	Henan, the PRC	RMB69,000,000	—	40%	Provision of golf facilities	Wholly owned foreign enterprise
Henan Yushang Property Development Company Limited*	Henan, the PRC	RMB15,000,000	—	30%	Property development	Limited liability company

* KPMG are not the statutory auditors of these associates.

Note: The English names of the Group's associates in the PRC referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

16 INTERESTS IN ASSOCIATES (Continued)

Summary financial information on associates

	Assets	Liabilities	Equity	Revenue	Loss
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2011					
100 per cent	**393,640**	**345,987**	**47,653**	**16,642**	**(10,439)**
Group's effective interest	**126,418**	**108,833**	**17,585**	**6,657**	**(4,162)**
2010					
100 per cent	390,492	332,400	58,092	13,777	(5,585)
Group's effective interest	125,872	104,125	21,747	4,133	(2,224)

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Share of net assets	**2,171,116**	1,180,604
Amounts due from jointly controlled entities	**931,879**	1,561,556
	3,102,995	2,742,160

Amounts due from jointly controlled entities, except for an amount of RMB585,226,000 (2010: RMB90,000,000) which is interest bearing at 6.67% per annum, are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered more than one year.

(Expressed in Renminbi)

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Details of the Group's interests in jointly controlled entities are set out as follows:

Name of company	Place of incorporation and operation	Registered capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Central China Tihome (Henan) Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	—	50%	Property development	Limited liability company
Henan United New Town Real Estate Company Limited*	Henan, the PRC	RMB652,000,000	—	74.9%	Property development	Limited liability company
Central China Real Estate Nanyang Company Limited*	Henan, the PRC	RMB579,590,000	—	51%	Property development	Limited liability company
Central China Real Estate Pingdingshan Company Limited*	Henan, the PRC	RMB310,200,000	—	51%	Property development	Limited liability company
Luohe Jianlian property Company Limited*	Henan, the PRC	RMB100,000,000	—	49%	Property development	Limited liability company
Zhengzhou Central China Tianming Property Company Limited*	Henan, the PRC	RMB1,500,000,000	—	50%	Property development	Limited liability company
Bridge Trust-CCRE Group Real Trust Investment Fund* *(note (a))*	Henan, the PRC	RMB669,387,000	—	25%	Investment holding	Trust fund
Bridge Trust-CCRE Group Real Trust Investment Fund II* *(note (b))*	Henan, the PRC	RMB1,077,600,000	—	25%	Investment holding	Trust fund

* KPMG are not the statutory auditors of these jointly controlled entities.

Notes:

(a) The Group has provided a guarantee of return of 7.5% per annum to the holders of the preferred units.

(b) The Group has provided a guarantee of return of 8.5% per annum to the holders of the preferred units.

(c) The English names of the Group's jointly controlled entities in the PRC referred to above are translated by management only for the purpose of these financial statements as no English names have been registered or available.

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

During the year, the Group has entered into a trust arrangement with Bridge Trust Company Limited ("Bridge Trust"), under which Bridge Trust has established the Bridge Trust-CCRE Group Real Estate Trust Investment Fund II ("Bridge-CCRE Trust II") with the trust capital of RMB1,077,600,000 in which RMB808,200,000 (808,200,000 units) are preferred units and RMB269,400,000 (269,400,000 units) are ordinary units. The Group has subscribed for the ordinary units of RMB269,400,000 and provided a guarantee return of 8.5% per annum to the holders of the preferred units ("Preferred Unit Holders").

The Bridge-CCRE Trust II is managed by the Investment Committee. The directors are of the opinion that based on the structure of the Investment Committee, neither Bridge Trust (as an agent of the Preferred Unit Holders) nor the Group has controlling power over the Bridge-CCRE Trust II. In this regard, the directors consider that the Bridge-CCRE Trust II is jointly controlled by Bridge Trust and the Group and the ordinary units subscribed by the Group are treated as jointly controlled entities in the financial statements.

The capital on the Bridge-CCRE Trust II was initially advanced to the Group at 7.1% per annum for six months and subsequently invested in Zhengzhou Central China Tianming Property Company Limited, which was previously a 90% owned subsidiary of the Company. After the investment by the Bridge-CCRE Trust II, this company is regarded as jointly controlled entity as neither the Bridge-CCRE Trust II nor the Group has controlling power over the board of directors pursuant to the respective article of association. In addition, at 31 December 2011, the Group borrowed loans of RMB477,600,000 from Bridge-CCRE Trust II. These loans are unsecured, interest-bearing at 7.88% per annum, due within one year and recorded as "Other loans" in the financial statements.

The deemed disposal of Zhengzhou Central China Tianming Property Company Limited had the following effect on the Group's financial position.

	RMB'000
Prepayments	(1,962,067)
Properties for sale	(83,551)
Interest in a jointly controlled entity	1,998,644
Non-controlling interests	49,418
Cash and cash equivalents	(2,444)
Net cash outflow	(2,444)

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Summary financial information on jointly controlled entities — Group's effective interest:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Non-current assets	**1,219,936**	600,914
Current assets	**3,516,032**	2,063,525
Current liabilities	**(1,129,685)**	(981,818)
Non-current liabilities	**(1,435,167)**	(502,017)
	2,171,116	1,180,604
Income	**321,525**	23
Expenses	**(328,802)**	(3,927)
Loss for the year	**(7,277)**	(3,904)

18 OTHER FINANCIAL ASSETS

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Unlisted equity securities, at cost		
— in the PRC	**97,800**	71,800

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at 31 December 2011 and 2010.

19 TRADING SECURITIES

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Listed equity securities at fair value in Hong Kong	**74,878**	163,461

20 PROPERTIES FOR SALE

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Properties held for future development and under development for sale	**7,294,284**	5,277,502
Completed properties held for sale	**1,330,119**	1,057,203
	8,624,403	6,334,705

(a) The analysis of carrying value of leasehold land held for property development for sale is as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
In the PRC		
— long leases	**4,168,361**	3,117,499
— medium-term leases	**654,724**	230,722
	4,823,085	3,348,221

(b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Properties held for future development and under development for sale	**4,319,034**	2,164,860

20 PROPERTIES FOR SALE (Continued)

(c) Certain of the Group's properties for sale was pledged as securities for the Group's bank and other loans. Details are set out in notes 24 and 25 respectively.

(d) The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for an initial period of twenty years. The lease does not include any contingent rental. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**11,147**	11,277
After 1 year to 5 years	**36,836**	39,416
After 5 years	**84,551**	93,118
	132,534	143,811

The directors confirm that the Group intends to sell the properties together with the respective leases.

21 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bills receivable	**—**	100	**—**	—
Trade receivables *(note (a))*	**16,961**	40,737	**—**	—
Other receivables *(note (b))*	**173,456**	203,260	**—**	—
Amounts due from related companies *(note (c))*	**39,665**	43,126	**—**	—
Loan to a related company *(note (d))*	**100,000**	—	**—**	—
Amounts due from non-controlling interests *(note (e))*	**64,900**	—	**—**	—
Loan to non-controlling interests *(note (f))*	**29,999**	—	**—**	—
Gross amount due from customers for contract work *(note (g))*	**12,951**	3,939	**—**	—
Derivative financial instruments *(notes 28 and 29)*	**3,595**	36,902	**3,595**	36,902
	441,527	328,064	**3,595**	36,902

21 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Current	**268**	30,792
Less than 1 month overdue	**166**	7,625
1 to less than 3 months overdue	**128**	156
3 to less than 6 months overdue	**128**	250
6 months to less than 1 year overdue	**2,562**	522
More than 1 year overdue	**13,709**	1,392
	16,961	40,737

The Group's credit policy is set out in note 33(b).

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances, except for the mortgage loans receivable as set out in note 35.

(b) At 31 December 2011, included in other receivable is an amount of RMB20,000,000 (2010: RMBNil) which is unsecured, interest bearing at 13% per annum and recoverable within one year.

(c) The amounts due from related companies included an amount of RMB39,015,000 (2010: RMB42,774,000) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company in previous years. The amount is unsecured, interest-free and recoverable on demand. The remaining amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

(d) The loan to a related company is secured, interest bearing at 12.25% per annum and has no fixed terms of repayment.

(e) The amounts due from non-controlling interests included an amount of RMB15,300,000 (2010: RMBNil), which is secured, interest-free and recoverable within one year, the remaining amounts due from non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

(f) The loan to non-controlling interests is unsecured, interest-bearing at 12% per annum and recoverable on demand.

(g) The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from/to customers for contract work at 31 December 2011, is RMB12,900,000 (2010: RMB3,900,000).

22 DEPOSITS AND PREPAYMENTS

At 31 December 2011, the balance included deposits and prepayments for leasehold land of RMB1,416,449,000 (2010: RMB774,093,000).

23 RESTRICTED BANK DEPOSITS

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Guarantee deposits in respect of:		
— mortgage loans related to property sale	**174,440**	163,146
— bills payable *(note 26)*	**394,423**	373,230
— bank loans *(note 24(b))*	**84,000**	—
	652,863	536,376

24 BANK LOANS

(a) At 31 December 2011, the bank loans were repayable as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 1 year or on demand	**1,110,660**	1,423,859
After 1 year but within 2 years	**376,000**	324,416
After 2 years but within 5 years	**140,000**	168,000
	516,000	492,416
	1,626,660	1,916,275

24 BANK LOANS (Continued)

(b) At 31 December 2011, the bank loans were secured as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Bank loans		
— secured	**1,327,000**	1,176,640
— unsecured	**299,660**	739,635
	1,626,660	1,916,275

At 31 December 2011, assets of the Group secured against bank loans are analysed as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Properties for sale	**2,429,526**	1,916,744
Restricted bank deposits *(note 23)*	**84,000**	—
	2,513,526	1,916,744

(c) The effective interest rates of bank loans of the Group at 31 December 2011 were ranged from 2.60%–9.18% (2010: 4.70%–9.18%) per annum.

(d) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33(c). As at 31 December 2011 and 2010, none of the covenants relating to drawn down facilities had been breached.

25 OTHER LOANS

(a) At 31 December 2011, other loans were repayable as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**1,245,470**	168,010
After 1 year but within 2 years	**107,700**	297,870
After 2 years but within 5 years	**—**	152,000
	107,700	449,870
	1,353,170	617,880

(b) At 31 December 2011, the other loans were secured as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Other loans		
— secured	**624,570**	357,880
— unsecured	**728,600**	260,000
	1,353,170	617,880

At 31 December 2011, assets of the Group secured against other loans are analysed as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Properties for sale	**394,622**	174,457
Investment properties	**106,200**	—
Property, plant and equipment	**—**	106,997
	500,822	281,454

Apart from the above, secured other loans with carrying amount of RMB25,000,000 (2010: RMB25,000,000) were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB124,877,000 (2010: RMB133,069,000) at 31 December 2011.

25 OTHER LOANS (Continued)

(c) The effective interest rates of other loans of the Group at 31 December 2011 were ranged from 6.92%–14.00% (2010: 6.38%–14.00%) per annum.

26 TRADE AND OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bills payable *(note 23)*	**394,423**	373,230	**—**	—
Trade payables *(note (a))*	**1,926,937**	980,002	**—**	—
Other payables and accruals	**846,129**	904,945	**43,238**	49,467
Amounts due to jointly controlled entities *(note (b))*	**1,587,617**	355,783	**—**	—
Amounts due to related companies *(note (b))*	**29**	32	**—**	—
Amounts due to non-controlling interests *(note (b))*	**190,501**	123,342	**—**	—
Derivative financial instruments *(note 28)*	**132,959**	91,175	**132,959**	91,175
	5,078,595	2,828,509	**176,197**	140,642

At 31 December 2011, included in trade and other payables and accruals are retention payable of RMB236,959,000 (2010: RMB198,796,000) which are expected to be settled more than one year.

Notes:

(a) An ageing analysis of trade payables are set out as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Due within 1 month or on demand	**1,689,978**	781,206
Due after 1 year	**236,959**	198,796
	1,926,937	980,002

(b) The amounts due to jointly controlled entities, related companies and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

27 RECEIPTS IN ADVANCE

Receipts in advance represent sale proceeds received from buyers in connection with pre-sale of properties.

28 CONVERTIBLE BONDS

On 31 August 2009, the Company issued unsecured convertible bonds with principal amount of HK$765,000,000 due 2014 and 76,097,561 warrants. The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is 31 August 2014. The convertible bonds can be converted to shares of the Company at HK$3.1 per share, subject to anti-dilutive adjustment, from 28 February 2010 to 31 August 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to 31 August 2014 at the exercise price of HK$4.1 per share, subject to anti-dilutive adjustment.

Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments in accordance with the accounting policy set out in note 2(n) to the financial statements.

In addition to the above, the Company may early redeem all the convertible bonds from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for at fair value at the end of each reporting period as derivative financial instruments in accordance with the accounting policy set out in note 2(f) to the financial statements.

As a result of the rights issue of the Company on 28 June 2011, the conversion price of the convertible bonds and the exercise price of the warrants were adjusted to HK$2.984 and HK$3.947 respectively.

28 CONVERTIBLE BONDS (Continued)

The movements of different components of the convertible bonds/warrants are set out below:

The Group and the Company

	Liability component of the convertible bonds	Redemption call option	Redemption put option	Equity component of the convertible bonds	Warrant reserve	Total
	(Note 28(a))	*(Notes 21 and 28(b))*	*(Notes 26 and 28(c))*	*(Note 28(d))*	*(Note 28(d))*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	551,288	(17,101)	85,460	43,166	11,906	674,719
Interest and transaction costs amortised	21,501	—	—	—	—	21,501
Change in fair value *(note 6(a))*	—	(18,511)	9,031	—	—	(9,480)
Exchange difference	(20,580)	1,032	(3,316)	—	—	(22,864)
At 31 December 2010	552,209	(34,580)	91,175	43,166	11,906	663,876
At 1 January 2011	**552,209**	**(34,580)**	**91,175**	**43,166**	**11,906**	**663,876**
Interest and transaction costs amortised	**22,562**	**—**	**—**	**—**	**—**	**22,562**
Change in fair value *(note 6(a))*	**—**	**30,103**	**46,874**	**—**	**—**	**76,977**
Exchange difference	**(25,106)**	**882**	**(5,090)**	**—**	**—**	**(29,314)**
At 31 December 2011	**549,665**	**(3,595)**	**132,959**	**43,166**	**11,906**	**734,101**

(a) Liability component of convertible bonds represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 9.6% per annum.

At 31 December 2011, the liability component of convertible bonds, after considering the redemption put options held by the holders of the convertible bonds, was repayable as follows:

	The Group and the Company	
	2011	2010
	RMB'000	*RMB'000*
Within one year	**549,665**	—
After one year but within two years	**—**	552,209
	549,665	552,209

(Expressed in Renminbi)

28 CONVERTIBLE BONDS (Continued)

(b) Redemption call option represents the fair value of the Company's option to early redeem all of the convertible bonds and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

(c) Redemption put option represents the fair value of the options of the holders of the convertible bonds to early redeem all of the convertible bonds and is recorded as derivative financial instruments under "Trade and other payables and accruals" (note 26).

(d) Equity component of convertible bonds and warrant reserve represent the excess of proceeds of the convertible bonds over the amount initially recognised as the liability component of convertible bonds and the redemption call and put options.

The assumptions applied in determining the fair value of the redemption call and put options at 31 December 2011 using Binomial (Coz, Ross, Rubinstein) option pricing model are set out as follows:

	2011	2010
Share price *(HK$)*	**1.55**	2.31
Expected volatility	**49%**	62%
Expected dividends	**6%**	2.9%
Risk-free interest rate	**0.48%**	1.4%
Remaining option life	**2.67 years**	3.67 years
Effective interest rate	**14%**	8.3%

29 SENIOR NOTES

On 20 October 2010, the Company issued secured senior notes with principal amount of US$300,000,000 due 2015. The senior notes are interest-bearing at 12.25% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 20 October 2015. On or after 20 October 2013, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on 20 October of each of the years indicated below.

Period	**Redemption price**
2013	106.1250%
2014	103.0625%

In addition, at any time prior to 20 October 2013, the Company may at its option:

(a) redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

(b) redeem up to 35% of the aggregate principal amount of the senior notes with the funds generated from equity offering at a redemption price of 112.5% at the principal amount of the senior notes, plus accrued and unpaid interest, if any, to the redemption date.

29 SENIOR NOTES (Continued)

The redemption options held by the Company are separately accounted for at fair value at the end of each reporting period as derivative financial instruments in accordance with the accounting policy set out in note 2(f) to the financial statements.

The movements of different components of senior notes are set out below:

The Group and the Company

	Liability component of the senior notes *(Note 29(a))* *RMB'000*	Redemption call option *(Notes 21 and 29(b))* *RMB'000*	Total *RMB'000*
At 1 January 2010	—	—	—
Proceeds from issuance senior notes	2,024,595	(310)	2,024,285
Transaction costs	(52,484)	8	(52,476)
Net proceeds	1,972,111	(302)	1,971,809
Interest and transaction costs amortised	190	—	190
Change in fair value *(note 6(a))*	—	(2,072)	(2,072)
Exchange difference	(43,495)	52	(43,443)
At 31 December 2010	1,928,806	(2,322)	1,926,484
At 1 January 2011	**1,928,806**	**(2,322)**	**1,926,484**
Interest and transaction costs amortised	**7,875**	**—**	**7,875**
Change in fair value *(note 6(a))*	**—**	**2,269**	**2,269**
Exchange difference	**(86,796)**	**53**	**(86,743)**
At 31 December 2011	**1,849,885**	**—**	**1,849,885**

29 SENIOR NOTES (Continued)

(a) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 12.79% per annum.

At 31 December 2011, the liability component of the senior notes was repayable as follows:

	The Group and the Company	
	2011	2010
	RMB'000	*RMB'000*
Within one year	**1,849,885**	1,928,806

The Company had breached certain covenants ("Defaults") under the indenture of its 12.25% senior notes due 2015 ("Indenture"). The Defaults are primarily related to the transactions with Bridge Trust (see note 17) and investment in trading securities (see note 19). If the Defaults are continuing, the trustee of the senior notes ("Trustee") or the holders ("Holders") of at least 25% in aggregate principal amount of the senior notes then outstanding, may deliver a written notice of default to the Company. If the Defaults continue for 30 consecutive days after such notice, an event of default under the Indenture will occur. If such an event of default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the senior notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders) may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the senior notes to be immediately due and payable under the Indenture. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. Notwithstanding that no such written notice or declaration has been delivered to or received by the Company, the liability component of senior notes of RMB1,849,885,000 (2010: 1,928,806,000) has been re-classified as a current liability in the financial statements at the end of reporting periods.

Pursuant to the announcement dated 7 March 2012, the Company intends to solicit consents ("Consents") from the Holders to certain proposed amendments and waivers of the Defaults (together referred to as "the Proposals"). The consent solicitations have been circularised to each of the Holders on the same date. The principal purposes of the consent solicitation are to obtain validly delivered and not validly revoked Consents from Holders of not less than a majority in aggregate principal amount of the outstanding senior notes to the Proposals.

By 5:00 p.m., 16 March 2012 (New York City Time), the Company had obtained Consents from Holders of not less that a majority in aggregate principal amount of the outstanding senior notes to the Proposals, and the maturity date of the senior notes remains unchanged as if there would have been no Default.

29 SENIOR NOTES (Continued)

(b) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2010 and 31 December 2011 are set out as follows:

	At 31 December 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Credit spread	**16.63%**	8.16%

30 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Pre-IPO share option scheme

On 14 May 2008, the Company conditionally granted certain pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle five of the Company's directors and ninety employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange of Hong Kong Limited, i.e. 6 June 2008. Under the pre-IPO share option scheme, no pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable with the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

On 28 June 2011, upon the rights issue of the Company, the exercise price of pre-IPO share options was adjusted to HK$2.682 and the number of outstanding share options was adjusted from 28,150,000 to 28,859,380.

(b) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

On 28 June 2011, upon the rights issue of the Company, the exercise price of the share options granted on 25 May 2010 was adjusted to HK$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

(Expressed in Renminbi)

30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(c) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle six employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK$2.16 per share. The share option scheme was effective from 25 July 2011. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

The weighted average value per share option granted during the year estimated at the date of grant using binomial (Coz, Ross, Rubinstein) model was HK$0.9. The weighted average assumptions used are as follows:

Fair value at measurement date	HK$0.9
Share price	HK$2.13
Exercise price	HK$2.16
Expected volatility	58%
Option life	10 years
Expected dividends	4.4%
Risk-free interest rate	2.33%

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(Expressed in Renminbi)

30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(d) The number and the weighted average exercise price of share options are as follows:

	2011		2010	
	Exercise price *HK$*	**Number of options**	Exercise price *HK$*	Number of options
Outstanding at 1 January	**2.41**	**49,100,000**	2.75	30,050,000
Adjustments upon rights issue	**2.34**	**1,213,380**	—	—
Granted during the year	**2.16**	**12,500,000**	1.90	20,000,000
Lapsed during the year	**2.11**	**(5,115,520)**	2.75	(950,000)
Outstanding at 31 December	**2.32**	**57,697,860**	2.41	49,100,000
Exercisable at 31 December	**2.59**	**32,352,800**	2.75	17,460,000

The options outstanding at 31 December 2011 had a weighted average exercise price of HK$2.32 (2010: HK$2.41) and a weighted average remaining contractual life of 5.12 years (2010: 5.3 years).

No option were exercised during the year ended 31 December 2011 (2010: none).

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group			
	CIT	**LAT**	**Withholding tax**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	93,562	3,868	17,237	114,667
Charged to the consolidated income statement *(note 7(a))*	274,890	226,798	27,689	529,377
Tax paid	(264,686)	(143,809)	(4,237)	(412,732)
Disposal of a subsidiary	26	—	—	26
At 31 December 2010	103,792	86,857	40,689	231,338
At 1 January 2011	**103,792**	**86,857**	**40,689**	**231,338**
Charged to the consolidated income statement *(note 7(a))*	**555,975**	**579,176**	**33,545**	**1,168,696**
Tax paid	**(443,250)**	**(235,356)**	**(1,795)**	**(680,401)**
At 31 December 2011	**216,517**	**430,677**	**72,439**	**719,633**

	2011	2010
	RMB'000	*RMB'000*
Representing:		
Tax payable	**828,655**	311,806
Prepaid tax	**(109,022)**	(80,468)
	719,633	231,338

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group		
	Revaluation of properties *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2010	(63,729)	15,980	(47,749)
Credited to the consolidated income statement *(note 7(a))*	12,380	1,570	13,950
At 31 December 2010	(51,349)	17,550	(33,799)
At 1 January 2011	**(51,349)**	**17,550**	**(33,799)**
(Charged)/credited to the consolidated income statement *(note 7(a))*	**(144)**	**94,020**	**93,876**
At 31 December 2011	**(51,493)**	**111,570**	**60,077**

	2011 *RMB'000*	2010 *RMB'000*
Representing:		
Deferred tax assets	**111,570**	18,260
Deferred tax liabilities	**(51,493)**	(52,059)
	60,077	(33,799)

(c) Deferred tax assets not recognised

The Company has not recognised deferred tax assets in respect of cumulative tax losses of RMB106,094,000 (2010: RMB85,608,000) at 31 December 2011, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within five years.

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	2011		2010	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**2,000,000**	**200,000**	2,000,000	200,000
Issue of new shares upon rights issue	**428,000**	**42,800**	—	—
	2,428,000	**242,800**	2,000,000	200,000
RMB equivalent		**215,185**		179,637

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Issue of shares upon rights issue

On 28 June 2011, the Company issued 428,000,000 shares of HK$0.1 each by way of a rights issue in proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK$1.71 per rights share. These newly issued shares rank equally in all respects with the existing shares. The net proceeds from the rights issue amounted to HK$718,171,000 (equivalent to RMB596,487,000).

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 30.

(vi) Distributability of reserves

At 31 December 2011, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2011 was RMB1,718,075,000 (2010: RMB1,186,799,000). After the end of the reporting period, the directors proposed a final dividend of HK$10.0 cents, equivalent to RMB8.25 cents (2010: HK$9.7 cents, equivalent to RMB8.23 cents) per ordinary share, amounting to RMB200,400,000 (2010: RMB165,000,000). This dividend has not been recognised as a liability at the end of the reporting period.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC subsidiaries to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(vii) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital (Note 32(a)(i)) RMB'000	Share premium (Note 32(b)(i)) RMB'000	Exchange reserve (Note 32(b)(iv)) RMB'000	Share-based compensation reserve (Note 32(b)(v)) RMB'000	Equity component of convertible bonds (Note 28) RMB'000	Warrant reserve (Note 28) RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2010	179,637	1,076,820	(12,391)	14,947	43,166	11,906	131,354	1,445,439
Changes in equity for 2010:								
Profit for the year	–	–	–	–	–	–	157,376	157,376
Exchange difference on translation of financial statements	–	–	(48,407)	–	–	–	–	(48,407)
Total comprehensive income	–	–	(48,407)	–	–	–	157,376	108,969
Dividends approved in respect of the previous year	–	–	–	–	–	–	(117,953)	(117,953)
Equity settled share-based payment	–	–	–	7,143	–	–	–	7,143
Balance at 31 December 2010	179,637	1,076,820	(60,798)	22,090	43,166	11,906	170,777	1,443,598
Balance at 1 January 2011	**179,637**	**1,076,820**	**(60,798)**	**22,090**	**43,166**	**11,906**	**170,777**	**1,443,598**
Changes in equity for 2011:								
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**204,987**	**204,987**
Exchange difference on translation of financial statements	**–**	**–**	**(72,036)**	**–**	**–**	**–**	**–**	**(72,036)**
Total comprehensive income	**–**	**–**	**(72,036)**	**–**	**–**	**–**	**204,987**	**132,951**
Issue of new shares upon rights issue	**35,548**	**560,939**	**–**	**–**	**–**	**–**	**–**	**596,487**
Dividends approved in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**–**	**(162,615)**	**(162,615)**
Equity settled share-based payment	**–**	**–**	**–**	**6,060**	**–**	**–**	**–**	**6,060**
Balance at 31 December 2011	**215,185**	**1,637,759**	**(132,834)**	**28,150**	**43,166**	**11,906**	**213,149**	**2,016,481**

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2011	2010
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$10.0 cents (equivalent to RMB8.25 cents) per ordinary share (2010: HK$9.7 cents (equivalent to RMB8.23 cents) per ordinary share)	**200,400**	165,000

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2011	2010
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$9.7 cents (equivalent to RMB8.13 cents) per ordinary share (2010: HK$6.8 cents (equivalents to RMB5.90 cents) per ordinary share)	**162,615**	117,953

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management (Continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total bank and other loans, convertible bonds and senior notes less cash and cash equivalents and restricted bank deposits secured against bank loans.

The gearing ratio at 31 December 2011 and 2010 was as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Current liabilities		
— Bank loans	**1,110,660**	1,423,859
— Other loans	**1,245,470**	168,010
— Senior notes	**1,849,885**	1,928,806
— Convertible bonds	**549,665**	—
	4,755,680	3,520,675
Non-current liabilities		
— Bank loans	**516,000**	492,416
— Other loans	**107,700**	449,870
— Convertible bonds	**—**	552,209
	623,700	1,494,495
Total debt	**5,379,380**	5,015,170
Less: Cash and cash equivalents	**(3,255,528)**	(3,370,335)
Restricted bank deposits secured against bank loans	**(84,000)**	—
Net debt	**2,039,852**	1,644,835
Total equity	**5,041,752**	3,771,684
Gearing ratio	**40.5%**	43.6%

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from restricted bank deposits, cash and cash equivalents, bank loans and other loans. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2011, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit and total equity by approximately RMB8,985,000 (2010: RMB14,734,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2010.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, restricted bank deposits and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade receivables of mortgage sales, no credit terms will be granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the instalment sales/ facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

Restricted bank deposit and cash and cash equivalents are deposited with financial institutions with sound credit ratings to minimise credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. There is no significant concentration of credit risk within the Group.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

The Group

	2011				
	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
Bank loans	1,626,660	1,736,480	1,184,034	389,492	162,954
Other loans	1,353,170	1,409,395	1,312,887	96,508	—
Convertible bonds	549,665	733,523	31,794	31,794	669,935
Senior notes	1,849,885	2,901,167	242,506	242,506	2,416,155
Trade and other payables and accruals	5,078,595	5,078,595	4,476,629	532,024	69,942
	10,457,975	11,859,160	7,247,850	1,292,324	3,318,986
Adjustments to disclose cash flow on redemption put option of convertible bonds		4,780	706,509	(31,794)	(669,935)
Adjustments to disclose cash flow on acceleration of senior notes *(note 29(a))*		—	2,658,661	(242,506)	(2,416,155)
		11,863,940	10,613,020	1,018,024	232,896
Financial guarantees issued: — Maximum amount guaranteed *(note 35)*		4,697,633	4,697,633	—	—

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

The Company

	2011				
	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
Convertible bonds	549,665	733,523	31,794	31,794	669,935
Senior notes	1,849,885	2,901,167	242,506	242,506	2,416,155
Other payables and accruals	140,642	140,642	140,642	—	—
	2,540,192	3,775,332	414,942	274,300	3,086,090
Adjustments to disclose cash flow on redemption put option of convertible bonds		4,780	706,509	(31,794)	(669,935)
Adjustments to disclose cash flow on acceleration of senior notes *(note 29(a))*		—	2,658,661	(242,506)	(2,416,155)
		3,780,112	3,780,112	—	—

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

The Group

	2010				
	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
Term loans subject to repayment on demand clauses: scheduled repayments	169,635	173,895	20,441	153,454	—
Bank loans	1,746,640	1,847,918	1,332,025	344,356	171,537
Other loans	617,880	721,893	232,484	329,511	159,898
Convertible bonds	552,209	765,317	31,794	733,523	—
Senior notes	1,928,806	3,143,674	242,506	242,506	2,658,662
Trade and other payables and accruals	2,828,509	2,828,509	2,629,713	198,796	—
	7,843,679	9,481,206	4,488,963	2,002,146	2,990,097
Adjustments to disclose cash flows on term loans based on lender's right to demand repayment		(4,305)	149,149	(153,454)	—
Adjustments to disclose cash flow on redemption put option of convertible bonds		(44,439)	689,084	(733,523)	—
Adjustments to disclose cash flow on acceleration of senior notes *(note 29(a))*		—	2,901,168	(242,506)	(2,658,662)
		9,432,462	8,228,364	872,663	331,435
Financial guarantees issued: — Maximum amount guaranteed *(note 35)*		3,060,798	3,060,798	—	—

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

The Company

	2010				
	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
Convertible bonds	552,209	765,317	31,794	733,523	—
Senior notes	1,928,806	3,143,674	242,506	242,506	2,658,662
Other payables and accruals	140,642	140,642	140,642	—	—
	2,621,657	4,049,633	414,942	976,029	2,658,662
Adjustments to disclose cash flow on redemption put option of convertible bonds		(44,439)	689,084	(733,523)	—
Adjustments to disclose cash flow on acceleration of senior notes *(note 29(a))*		—	2,901,168	(242,506)	(2,658,662)
		4,005,194	4,005,194	—	—

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars and United States Dollars.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

The following table details the Group's exposure at 31 December 2011 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group			
	2011		2010	
	United States Dollars	**Hong Kong Dollars**	United States Dollars	Hong Kong Dollars
	'000	***'000***	*'000*	*'000*
Cash and cash equivalents	**29,723**	**1,156**	31,873	1,155
Senior notes	**(293,518)**	**—**	(292,296)	—
Inter-company borrowings	**(30,000)**	**(60,000)**	(30,000)	(60,000)
Gross exposure arising from recognised assets and liabilities and overall net exposure	**(293,795)**	**(58,844)**	(290,423)	(58,845)

In addition to the above, one of the Company's subsidiaries with functional currency of Hong Kong Dollars, has a receivable of RMB1,150,000,000 (2010: RMB350,000,000) from a PRC subsidiary.

A reasonably possible increase/decrease of 5% (2010: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars and United States Dollars would increase/decrease the Group's profit after tax and total equity by RMB55,029,000 (2010: RMB30,000,000). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant.

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 19).

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities other industry indications, as well as the Group's liquidity needs. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives. As at the end of the reporting periods the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in note 28.

A reasonably possible increase/decrease of 5% (2010: 5%) in the relevant stock market index (for trading securities) or the Company's own share price (for the conversion option of convertible bonds) as applicable, with all other variables held constant, the impact on the Group's and the Company's profit after tax and total equity is not expected to be material.

(f) Fair Values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair Values (Continued)

(i) Financial instruments carried at fair value (Continued)

The Group

	2011			
	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Trading securities:				
— Listed equity securities in Hong Kong	**74,878**	**—**	**—**	**74,878**
Derivative financial instruments:				
— Redemption call option of convertible bonds	**—**	**3,595**	**—**	**3,595**
	74,878	**3,595**	**—**	**78,473**
Liabilities				
Derivative financial instruments:				
— Redemption put option of convertible bonds	**—**	**(132,959)**	**—**	**(132,959)**

The Company

	2011			
	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Derivative financial instruments:				
— Redemption call option of convertible bonds	**—**	**3,595**	**—**	**3,595**
Liabilities				
Derivative financial instruments:				
— Redemption put option of convertible bonds	**—**	**(132,959)**	**—**	**(132,959)**

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair Values (Continued)

(i) Financial instruments carried at fair value (Continued)

The Group

	2010			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Trading securities:				
— Listed equity securities in Hong Kong	163,461	—	—	163,461
Derivative financial instruments:				
— Redemption call option of convertible bonds	—	34,580	—	34,580
Derivative financial instruments:				
— Redemption call option of senior notes	—	2,322	—	2,322
	163,461	36,902	—	200,363
Liabilities				
Derivative financial instruments:				
— Redemption put option of convertible bonds	—	(91,175)	—	(91,175)

The Company

	2010			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Derivative financial instruments:				
— Redemption call option of convertible bonds	—	34,580	—	34,580
Derivative financial instruments:				
— Redemption call option of senior notes	—	2,322	—	2,322
	—	36,902	—	36,902
Liabilities				
Derivative financial instruments:				
— Redemption put option of convertible bonds	—	(91,175)	—	(91,175)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair Values (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The fair values of these financial instruments are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010. Amounts due from/(to) subsidiaries, associates, jointly controlled entities, non-controlling interests and related companies are either recoverable/(repayable) on demand or with no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

34 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2011 not provided for in the financial statements are as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Authorised but not contracted for	**14,921,680**	11,805,438
Contracted but not provided for	**1,277,718**	1,957,446
	16,199,398	13,762,884

Capital commitments mainly related to land and development costs for the Group's properties under development.

	2011	2010
	RMB'000	*RMB'000*
Properties under development undertaken by jointly controlled entities attributable to the Group		
Authorised but not contracted for	**916,866**	—
Contracted but not provided for	**185,658**	—
	1,102,524	—

34 COMMITMENTS (Continued)

(b) Commitments for operating leases

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**4,008**	4,164
After 1 year but within 5 years	**2,831**	7,097
	6,839	11,261

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

35 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's properties at 31 December 2011 is as follows:

	2011	2010
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to buyers of the Group's properties	**4,697,633**	3,060,798

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group has not applied for individual building ownership certificates for these buyers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the buyers default payments to the banks.

36 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major related party transactions entered by the Group during the year ended 31 December 2011 are as follows:

	Note	**2011** **RMB'000**	2010 *RMB'000*
Interest income from jointly controlled entities	(a)	**23,823**	—
Interest income from a prior jointly controlled entity	(a)	**2,794**	—
Interest income from non-controlling interests	(a)	**4,451**	—
Project management fee income from jointly controlled entities	(b)	**38,564**	—
Interest expenses to jointly controlled entities	(c)	**(59,609)**	(21,695)
Interest expense to non-controlling interests	(d)	**—**	(3,590)
Rental expenses to a related company	(e)	**—**	(336)

(a) The amounts represent interest income in relation to advances to jointly controlled entities, a prior jointly controlled entity and non-controlling interests.

(b) The amount represents project management fee received from jointly controlled entities for the management of property development projects during the year.

(c) The amounts represented interest expenses in relation to loans from Bridge-CCRE Trust II as set out in note 17.

(d) The amount for the year ended 31 December 2010 represented interest expenses in relation to advances from non-controlling interests, which was unsecured and interest bearing at 12% per annum and settled in 2010.

(e) The amount for the year ended 31 December 2010 represented rental expenses for the office of the Group paid to a related company, in which Mr. Wu Po Sum has significant interest. The lease was terminated in 2010.

37 ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) Acquisitions of subsidiaries

During the year, the Group has acquired certain subsidiaries which hold property development projects. Acquisition of these subsidiaries enables the Group to expand its land banks. Acquisitions of subsidiaries during the year are summarised as follows:

Date of acquisition	Name of subsidiaries acquired	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration
				RMB'000
9 February 2011	Henan Shengtai Real Estate Company Limited	100%	100%	32,632
3 August 2011	Xuchang Fengtai Real Estate Company Limited	60%	60%	30,000
5 August 2011	Henan Coal Chemical Central China Real Estate Development Investment Company Limited	50%	100%	52,800

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount	Adjustments	Recognised values on acquisitions
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	372	—	372
Deposits and prepayment	21,610	—	21,610
Properties for sale	1,202,641	19,074	1,221,715
Cash and cash equivalents	46,065	—	46,065
Trade and other payables	(1,106,545)	—	(1,106,545)
Non-controlling interests	(20,000)	—	(20,000)
Interest in jointly controlled entities	(47,785)	—	(47,785)
Net identified assets and liabilities	96,358	19,074	115,432
Total consideration paid			115,432
Total cash and cash equivalents acquired			(46,065)
Net cash outflow			69,367

37 ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (Continued)

(a) Acquisitions of subsidiaries (Continued)

The above subsidiaries contributed an aggregate turnover of RMBNil and loss attributable to the equity shareholders of the Company of RMB11,945,000 to the Group for the year ended 31 December 2011. Should the acquisitions had occurred on 1 January 2011, the consolidated turnover and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2011 would have been RMB6,638,354,000 and RMB665,952,000 respectively.

(b) Acquisition and capital contribution of non-controlling interests

On 30 June 2011, the Group acquired additional 5.04% equity interest in Central China New Land (Henan) Real Estate Company Limited ("CCRE New Land") at a consideration of RMB22,000,000. Subsequent to the acquisition, the Group's equity interests in CCRE New Land increased from 84.96% to 90%. The carrying amount of non-controlling interests at the date of acquisition was RMB202,000 and the excess of the total consideration over the carrying amount of the non-controlling interests of RMB21,798,000 is recognised in other capital reserve in accordance with the accounting policy set out in note 2(c).

Pursuant to the capital contribution agreement on dated 16 August 2011, the issued and fully paid capital of CCRE New Land increased by RMB9,990,000, in which the Group and non-controlling interests contributed RMB1,990,000 and RMB8,000,000 respectively. As a result the equity interest held by the Group decreased to 55%. The increase in carrying amount of non-controlling interests is RMB5,693,000 and the excess of the capital contribution by non-controlling interests over the increase in carrying amount of non-controlling interests of RMB2,307,000 is recognised in other capital reserve in accordance with the accounting policy set out in note 2(c).

38 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Impairment provision for buildings and construction in progress

As explained in note 2(h), the Group makes impairment provision for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

38 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

(b) Provision for properties for sale

As explained in note 2(k), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) CIT and LAT

As explained in note 7, the Group is subject to CIT and LAT under both authorised taxation method or audited taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

38 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(g) Valuation of investment properties

All investment properties of the Group are revalued as at the end of the reporting period by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sale prices for similar properties in the same location and condition and the appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

(h) Estimation of fair value of derivative financial instruments

Redemption call and put options embedded to convertible bonds and senior notes of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in notes 28 and 29. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

39 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 32(c)(i).

40 COMPARATIVE FIGURES

The liability component of the senior notes have been re-classified as mentioned in note 29(a).

(Expressed in Renminbi)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
HKFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

Independent auditor's report to the shareholders of
Central China Real Estate Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Central China Real Estate Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 158, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent auditor's report to the shareholders of
Central China Real Estate Limited *(Continued)*
(incorporated in Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
16 March 2011

Consolidated income statement

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	**2010** *RMB'000*	2009 *RMB'000*
Turnover	4	**4,516,351**	2,739,831
Cost of sales		**(2,970,439)**	(1,788,249)
Gross profit		**1,545,912**	951,582
Other revenue	5	**33,356**	41,964
Other net income	5	**27,532**	21,541
Selling and marketing expenses		**(143,900)**	(113,285)
General and administrative expenses		**(234,044)**	(164,708)
Other operating expenses		**(8,062)**	(19,292)
Profit from operations		**1,220,794**	717,802
Share of losses of associates	17	**(2,224)**	(2,831)
Share of losses of jointly controlled entities	18	**(3,904)**	—
Finance costs	6(a)	**(122,853)**	(66,080)
Profit before change in fair value of investment properties and income tax		**1,091,813**	648,891
Increase in fair value of investment properties	15	**3,673**	2,461
Profit before taxation	6	**1,095,486**	651,352
Income tax	7(a)	**(515,427)**	(223,221)
Profit for the year		**580,059**	428,131
Attributable to:			
Equity shareholders of the Company		**544,887**	405,326
Non-controlling interests		**35,172**	22,805
Profit for the year		**580,059**	428,131
Earnings per share	12		
— Basic *(RMB cents)*		**27.24**	20.27
— Diluted *(RMB cents)*		**26.23**	20.15

The accompanying notes form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 33(c).

Consolidated statement of comprehensive income

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	**2010** **RMB'000**	2009 RMB'000
Profit for the year		**580,059**	428,131
Other comprehensive income for the year			
Exchange differences on translation of financial statements of overseas subsidiaries	11	**28,093**	2,659
Total comprehensive income for the year		**608,152**	430,790
Attributable to:			
Equity shareholders of the Company		**571,753**	407,749
Non-controlling interests		**36,399**	23,041
Total comprehensive income for the year		**608,152**	430,790

The accompanying notes form part of these financial statements.

Consolidated balance sheet

at 31 December 2010

(Expressed in Renminbi)

	Note	At 31 December 2010 RMB'000	At 31 December 2009 (Restated) RMB'000	At 1 January 2009 (Restated) RMB'000
Non-current assets				
Property, plant and equipment	14	**513,268**	244,163	211,209
Investment properties	15	**276,900**	264,400	254,584
Interests in associates	17	**40,837**	19,471	22,302
Interests in jointly controlled entities	18	**2,742,160**	—	—
Other financial assets	19	**71,800**	15,800	15,400
Deferred tax assets	32(b)	**18,260**	19,294	3,309
		3,663,225	563,128	506,804
Current assets				
Trading securities	20	**163,461**	—	—
Properties for sale	21	**6,334,705**	5,247,446	4,803,837
Trade and other receivables	22	**328,064**	275,625	223,103
Deposits and prepayments	23	**956,533**	1,146,004	343,568
Prepaid tax	32(a)	**80,468**	42,474	27,520
Restricted bank deposits	24	**536,376**	506,989	409,797
Cash and cash equivalents		**3,370,335**	2,364,987	927,721
		11,769,942	9,583,525	6,735,546
Current liabilities				
Bank loans	25	**1,423,859**	1,114,194	701,179
Other loans	26	**168,010**	95,640	123,950
Trade and other payables and accruals	27	**2,828,509**	2,040,030	1,940,923
Receipts in advance	28	**3,453,939**	1,770,122	947,270
Tax payable	32(a)	**311,806**	157,141	106,842
		8,186,123	5,177,127	3,820,164
Net current assets		**3,583,819**	4,406,398	2,915,382

Consolidated balance sheet *(Continued)*

at 31 December 2010

(Expressed in Renminbi)

	Note	**At 31 December 2010** *RMB'000*	At 31 December 2009 (Restated) *RMB'000*	At 1 January 2009 (Restated) *RMB'000*
Total assets less current liabilities		**7,247,044**	4,969,526	3,422,186
Non-current liabilities				
Bank loans	25	**492,416**	658,622	232,028
Other loans	26	**449,870**	372,880	36,790
Convertible bonds	29	**552,209**	551,288	—
Senior notes	30	**1,928,806**	—	—
Deferred tax liabilities	32(b)	**52,059**	67,043	63,446
		3,475,360	1,649,833	332,264
NET ASSETS		**3,771,684**	3,319,693	3,089,922
CAPITAL AND RESERVES	33			
Share capital		**179,637**	179,637	179,637
Reserves		**3,316,181**	2,944,720	2,760,495
Total equity attributable to equity shareholders of the Company		**3,495,818**	3,124,357	2,940,132
Non-controlling interests		**275,866**	195,336	149,790
TOTAL EQUITY		**3,771,684**	3,319,693	3,089,922

Approved and authorised for issue by the board of directors on 16 March 2011.

Wu Po Sum
Executive Director

Wang Tianye
Executive Director

The accompanying notes form part of these financial statements.

Balance sheet

at 31 December 2010
(Expressed in Renminbi)

	Note	**2010** **RMB'000**	2009 RMB'000
Non-current assets			
Interest in subsidiaries	16	**3,836,883**	1,988,999
Current assets			
Prepayments		**—**	64
Derivative financial instruments	22	**36,902**	17,101
Cash and cash equivalents		**191,470**	144,245
		228,372	161,410
Current liabilities			
Bank loans	25	**—**	68,222
Other payables and accruals	27	**140,642**	85,460
		140,642	153,682
Net current assets		**87,730**	7,728
Total assets less current liabilities		**3,924,613**	1,996,727
Non-current liabilities			
Convertible bonds	29	**552,209**	551,288
Senior notes	30	**1,928,806**	—
		2,481,015	551,288
NET ASSETS		**1,433,598**	1,445,439
CAPITAL AND RESERVES	33		
Share capital		**179,637**	179,637
Reserves		**1,263,961**	1,265,802
TOTAL EQUITY		**1,443,598**	1,445,439

Approved and authorised for issue by the board of directors on 16 March 2011.

Wu Po Sum
Executive Director

Wang Tianye
Executive Director

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	Share capital *(Note 33 (a))*	Share premium *(Note 33 (b)(i))*	Statutory reserve fund *(Note 33 (b)(ii))*	Other capital reserve *(Note 33 (b)(iii))*	Exchange reserve *(Note 33 (b)(iv))*	Share-based compensation reserve *(Note 33 (b)(v))*	Equity component of convertible bonds *(Note 29)*	Warrant reserve *(Note 29)*	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Company											
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2010		179,637	1,076,820	322,814	913,502	(20,295)	14,947	43,166	11,906	581,860	3,124,357	195,336	3,319,693
Total comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	544,887	544,887	35,172	580,059
Other comprehensive income	11	–	–	–	–	26,866	–	–	–	–	26,866	1,227	28,093
		–	–	–	–	26,866	–	–	–	544,887	571,753	36,399	608,152
Transactions with owners recognised directly in equity													
Contributions by and distributions to owners of the Company													
Dividend declared and paid	33(c)(ii)	–	–	–	–	–	–	–	–	(117,953)	(117,953)	–	(117,953)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(24,007)	(24,007)
Appropriation to statutory reserve fund		–	–	147,703	–	–	–	–	–	(147,703)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	46,000	46,000
Equity settled share-based payment		–	–	–	–	–	7,143	–	–	–	7,143	–	7,143
		–	–	147,703	–	–	7,143	–	–	(265,656)	(110,810)	21,993	(88,817)
Changes in ownership interests in subsidiaries													
Acquisition of additional interest in subsidiaries	38(b)	–	–	–	(89,482)	–	–	–	–	–	(89,482)	(46,797)	(136,279)
Acquisition of subsidiaries	38(a)	–	–	–	–	–	–	–	–	–	–	68,935	68,935
		–	–	–	(89,482)	–	–	–	–	–	(89,482)	22,138	(67,344)
Balance at 31 December 2010		179,637	1,076,820	470,517	824,020	6,571	22,090	43,166	11,906	861,091	3,495,818	275,866	3,771,684

		Attributable to equity shareholders of the Company											
	Note	Share capital *(Note 33 (a))*	Share premium *(Note 33 (b)(i))*	Statutory reserve fund *(Note 33 (b)(ii))*	Other capital reserve *(Note 33 (b)(iii))*	Exchange reserve *(Note 33 (b)(iv))*	Share-based compensation reserve *(Note 33 (b)(v))*	Equity component of convertible bonds *(Note 29)*	Warrant reserve *(Note 29)*	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2009		179,637	1,076,820	246,938	1,006,607	(22,718)	6,604	–	–	446,244	2,940,132	149,790	3,089,922
Total comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	405,326	405,326	22,805	428,131
Other comprehensive income	11	–	–	–	–	2,423	–	–	–	–	2,423	236	2,659
		–	–	–	–	2,423	–	–	–	405,326	407,749	23,041	430,790
Transactions with owners recognised directly in equity													
Contributions by and distributions to owners of the Company													
Dividend declared and paid	33(c)(ii)	–	–	–	–	–	–	–	–	(193,834)	(193,834)	–	(193,834)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(14,000)	(14,000)
Appropriation to statutory reserve fund		–	–	75,876	–	–	–	–	–	(75,876)	–	–	–
Issue of convertible bonds with warrants		–	–	–	–	–	–	43,166	11,906	–	55,072	–	55,072
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	36,505	36,505
Equity settled share-based payment		–	–	–	–	–	8,343	–	–	–	8,343	–	8,343
		–	–	75,876	–	–	8,343	43,166	11,906	(269,710)	(130,419)	22,505	(107,914)
Changes in ownership interests in subsidiaries													
Acquisition of additional interest in subsidiaries		–	–	–	(93,105)	–	–	–	–	–	(93,105)	–	(93,105)
Balance at 31 December 2009		179,637	1,076,820	322,814	913,502	(20,295)	14,947	43,166	11,906	581,860	3,124,357	195,336	3,319,693

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	**2010** **RMB'000**	2009 RMB'000
Operating activities			
Profit before taxation		**1,095,486**	651,352
Adjustments for:			
Interest income		**(31,999)**	(39,009)
Depreciation and amortisation		**15,111**	12,011
Equity settled share-based payment expenses		**7,143**	8,343
Dividend income		**(1,307)**	(1,163)
Increase in fair value of investment properties		**(3,673)**	(2,461)
Net gain on disposals of property, plant and equipment		**(443)**	(16,012)
Share of losses of associates		**2,224**	2,831
Share of losses of jointly controlled entities		**3,904**	—
Finance costs		**122,853**	66,080
Net realised and unrealised (gain)/loss on trading securities		**(6,869)**	275
Impairment loss on property, plant and equipment		**—**	5,440
Gain on disposal of a subsidiary		**(1,351)**	(7,474)
Changes in working capital:			
Increase in properties for sale		**(1,131,401)**	(388,354)
Increase in trade and other receivables		**(32,689)**	(39,935)
Decrease/(increase) in deposits and prepayments		**198,571**	(802,436)
Increase in trade and other payables and accruals		**394,820**	80,118
Increase in restricted bank deposits		**(89,387)**	(137,192)
Increase in receipts in advance		**1,684,491**	822,852
Cash generated from operations carried forward		**2,225,484**	215,266

Consolidated cash flow statement *(Continued)*

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	**2010** **RMB'000**	2009 RMB'000
Cash generated from operations brought forward		**2,225,484**	215,266
PRC income tax paid		**(412,732)**	(200,261)
Net cash generated from operating activities		**1,812,752**	15,005
Investing activities			
Payment for purchase of property, plant and equipment		**(212,939)**	(60,251)
Proceeds from disposals of property, plant and equipment		**709**	25,858
Payment for purchase of trading securities		**(156,592)**	(4,054)
Proceeds from disposals of trading securities		**—**	3,779
Expenditure on investment properties		**—**	(401)
Acquisition of additional interest in subsidiaries	38(b)	**(136,279)**	(163,414)
Payment for capital injection in jointly controlled entities		**(738,724)**	—
Net cash outflow upon deemed disposals of subsidiaries	18	**(11,494)**	—
Payment for purchase of other financial assets		**(56,000)**	—
Acquisition of an associate		**(4,500)**	—
Net cash paid upon acquisitions of subsidiaries	38(a)	**(287,864)**	—
Net cash received upon disposal of a subsidiary		**257**	50,000
Advances to associates		**(19,090)**	—
Advances to jointly controlled entities		**(1,105,509)**	—
Dividend received		**1,307**	763
Interest received		**31,999**	39,009
Net cash used in investing activities		**(2,694,719)**	(108,711)

Consolidated cash flow statement *(Continued)*

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Financing activities			
Proceeds from new bank loans		**1,248,762**	1,650,812
Repayment of bank loans		**(1,045,303)**	(770,718)
Proceeds from other new loans		**930,470**	546,600
Repayment of other loans		**(781,110)**	(238,820)
Net proceeds from convertible bonds		**—**	671,368
Net proceeds from senior notes		**1,971,809**	—
Interest paid		**(303,139)**	(159,115)
Dividend paid		**(117,953)**	(193,834)
Dividend paid to non-controlling interests		**(24,007)**	(14,000)
Capital contribution from non-controlling interests		**46,000**	36,505
Net cash generated from financing activities		**1,925,529**	1,528,798
Net increase in cash and cash equivalents		**1,043,562**	1,435,092
Cash and cash equivalents at 1 January		**2,364,987**	927,721
Effect of foreign exchange rate changes		**(38,214)**	2,174
Cash and cash equivalents at 31 December		**3,370,335**	2,364,987

The accompanying notes form part of these financial statements.

1 GENERAL

Central China Real Estate Limited ("the Company") was incorporated in the Cayman Islands on 15 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business is at Room 7701B-7702A, 77th Floor, International Commence Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries ("the Group") are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment property (see note 2(g));

— financial instruments classified as trading securities (see note 2(e)); and

— derivative financial instruments (see note 2(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future period are discussed in note 39.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(d)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Other investments in equity securities

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends earned on these investments as these are recognised in accordance with the policies set out in note 2(v)(v).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(j)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(v)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)):

— buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(i)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

— Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion

— Furniture, fixtures and equipment	5 to 10 years
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)) or properties for sale (see note 2(k)).

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: (see note 2(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates and jointly controlled entities recognised using the equity method (see note 2(d)), the impairment loss is measured by comparing the receivable amount of the investment as a whole with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SIGNIFICANT ACCOUNTING POLICIES ***(Continued)***

(j) Impairment of assets ***(Continued)***

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. *(Continued)*

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(l) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of our asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(v)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Trade and other receivables". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "Receipts in advance".

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Convertible bonds with detachable warrants

Convertible bonds of the Company are issued with detachable warrants. Where the convertible bonds can be converted to equity share capital at the option of the holder and the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, and where the warrants issued by the Company will be settled by exchange of the warrants and fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, convertible bonds with detachable warrants are accounted for as compound financial instruments, which contain a liability component and an equity component. The early redemption options embedded to the convertible bonds with detachable warrants are separately accounted for as derivative financial instruments in accordance with the accounting policy set out in note 2(f).

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

Transaction costs that relate to the issue of the convertible bonds with detachable warrants, are allocated to the liability component and equity component and derivative financial instruments in proportion to allocation of proceeds. The portion of the transaction costs relating to the liability component and equity component is recognised initially as part of the liability and equity respectively. The portion relating to the derivative component is recognised immediately in profit or loss.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bonds are converted or redeemed. The derivative financial instruments is subsequently remeasured in accordance with note 2(f).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Convertible bonds with detachable warrants *(Continued)*

If the bonds are converted, the respective capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the respective capital reserve is released directly to retained profits. If the warrants are exercised, the respective capital reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the respective capital reserve is released directly to retained profits.

(o) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with the accounting policy set out in note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), trade and other payable are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial (Cox, Ross, Rubinstein) model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of signing of the sale and purchase agreement or the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause is recognised when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under "Receipts in advance".

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Revenue from operating leases excludes business tax or other sales related taxes.

(iii) Contract revenue

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

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition *(Continued)*

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Dividend income

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised on profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HK (Int) 5, Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause

— HKFRS 3 (revised 2008), Business combinations

— Amendments to HKAS 27, Consolidated and separate financial statements

— Improvements to HKFRSs (2009)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

In November 2010 the HKICPA issued HK (Int) 5 which is effective immediately on issuance and sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of HKAS 1, Presentation of financial statements, irrespective of the probability that the lender will invoke the clause without cause.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

In order to comply with the requirements of HK (Int) 5, the Group has changed its accounting policy on classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the balance sheet date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009 and 2010, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has no effect on reported profit or loss, total income and expense or net assets for any period presented.

	As previously reported *RMB'000*	Effect of adoption of HK (Int) 5 *RMB'000*	As restated *RMB'000*
Effect on the Group's balance sheet as at 31 December 2009:			
Current liabilities: Bank loans	982,154	132,040	1,114,194
Non-current liabilities: Bank loans	790,662	(132,040)	658,622
Effect on the Group's balance sheet as at 1 January 2009:			
Current liabilities: Bank loans	488,790	212,389	701,179
Non-current liabilities: Bank loans	444,417	(212,389)	232,028

The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons.

— The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

— The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

4 TURNOVER

The principal activities of the Group are property development, property leasing and construction.

Turnover represents income from sales of properties, rental income and revenue from construction contracts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Income from sales of properties	**4,391,722**	2,659,942
Rental income	**25,143**	22,084
Revenue from construction contracts	**99,486**	57,805
	4,516,351	2,739,831

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

5 OTHER REVENUE AND NET INCOME

	2010 *RMB'000*	2009 *RMB'000*
Other revenue		
Interest income	**31,999**	39,009
Dividend income from unlisted equity securities	**1,307**	1,163
Government grants	**50**	1,792
	33,356	41,964

	2010 *RMB'000*	2009 *RMB'000*
Other net income		
Net gain on disposals of property, plant and equipment	**443**	16,012
Gain on disposal of a subsidiary	**1,351**	7,474
Net exchange gain/(loss)	**18,869**	(296)
Net realised and unrealised gain/(loss) on trading securities	**6,869**	(275)
Compensation to contractors	**—**	(1,374)
	27,532	21,541

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2010	2009
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans	**113,323**	99,706
Interest on other loans	**95,917**	37,203
Interest on convertible bonds *(note 12(b)(i))*	**53,984**	17,688
Interest on senior notes	**48,917**	—
Interest on advances from customers	**5,297**	8,022
Other ancillary borrowing costs	**7,391**	6,978
	324,829	169,597
Less: Borrowing costs capitalised*	**(190,424)**	(100,221)
	134,405	69,376
Net change in fair value of derivatives embedded to convertible bonds *(note 12(b)(i))*	**(9,480)**	(3,296)
Net change in fair value of derivatives embedded to senior notes	**(2,072)**	—
	122,853	66,080

* Borrowing costs have been capitalised at a rate of 1.29%-14.00% per annum (2009: 1.33%-14.00% per annum).

6 PROFIT BEFORE TAXATION *(Continued)*

	2010	2009
	RMB'000	*RMB'000*
(b) Staff costs		
Salaries, wages and other benefits	**134,231**	106,821
Including:		
— Retirement scheme contributions	**7,353**	4,979
— Equity settled share-based payment expenses *(note 31)*	**7,143**	8,343

Employees of the Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group's subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also maintains a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2010	2009
	RMB'000	*RMB'000*
(c) Other items		
Depreciation and amortisation	**15,111**	12,011
Reversal of impairment loss on other receivables	**(4,182)**	—
Impairment loss on property, plant and equipment *(note 14)*	**—**	5,440
Auditors' remuneration	**3,065**	3,534
Cost of properties sold	**2,876,932**	1,738,510
Operating lease charges in respect of properties	**2,395**	776
Rentals receivable less direct outgoings of RMB2,050,000 (2009: RMB4,940,000)	**(23,093)**	(17,144)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2010 **RMB'000**	2009 RMB'000
Current tax		
PRC Corporate Income Tax	**274,890**	184,021
PRC Land Appreciation Tax	**226,798**	51,585
Withholding tax	**27,689**	—
	529,377	235,606
Deferred tax		
Revaluation of properties	**(12,380)**	283
Other temporary differences	**(1,570)**	(12,668)
	(13,950)	(12,385)
	515,427	223,221

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(iii) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 10% to 15% (2009: 10% to 15%) of their revenue in accordance with the authorised taxation method (核定徵收) pursuant to the applicable PRC tax regulations. The tax rate was 25% (2009: 25%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the audited taxation method (查賬徵收), were charged CIT at a rate of 25% (2009: 25%) on the estimated assessable profits for the year.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

(iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain subsidiaries of the Group were subject to LAT which is calculated based on 1.5% to 4.5% (2009: 1.5% to 3.5%) of their revenue in accordance with the authorised taxation method.

(v) Withholding tax

Withholding taxes are levied on the Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest received by Hong Kong companies from PRC subsidiaries ranged from 5% to 12%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2010 ***RMB'000***	2009 *RMB'000*
Profit before taxation	**1,095,486**	651,352
Tax on profit before tax calculated at 25% (2009: 25%)	**273,872**	162,838
Difference in tax rates for certain subsidiaries	**14,012**	(4,267)
Tax effect of non-taxable revenue	**(7,722)**	(4,629)
Tax effect of non-deductible expenses	**39,385**	32,507
Tax effect of unused tax losses not recognised	**12,726**	12,110
Utilisation of tax loss not recognised in prior years	**(5,318)**	(4,862)
Tax effect of adopting authorised taxation method	**(9,315)**	(9,165)
Withholding tax on dividends distributed by the PRC foreign investment enterprise	**27,689**	—
Land Appreciation Tax	**226,798**	51,585
Tax effect of Land Appreciation Tax	**(56,700)**	(12,896)
Income tax expense	**515,427**	223,221

8 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out as follows:

2010

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(Note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Wu Po Sum	—	3,382	11	—	1,365	4,758
Wang Tianye	—	2,900	11	3,174	730	6,815
Yan Yingchun	—	919	11	—	565	1,495
Non-executive directors						
Lim Ming Yan	87	—	—	—	412	499
Leow Juan Thong Jason	87	—	—	—	248	335
Wallis Wu (alias Li Hua)	225	—	11	—	—	236
Hu Yongmin	—	—	—	—	—	—
Independent non-executive directors						
Cheung Shek Lun	208	—	—	—	—	208
Wang Shi	210	—	—	—	—	210
Xin Luolin (appointed on 1 March 2010)	173	—	—	—	—	173
Total	990	7,201	44	3,174	3,320	14,729

8 DIRECTORS' REMUNERATION *(Continued)*

Details of directors' remuneration are set out as follows:

2009

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(Note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Wu Po Sum	—	2,863	11	220	1,781	4,875
Wang Tianye	—	1,833	11	1,974	701	4,519
Yan Yingchun	—	753	11	726	421	1,911
Non-executive directors						
Lim Ming Yan	88	—	—	—	701	789
Leow Juan Thong Jason	88	—	—	—	421	509
Wallis Wu (alias Li Hua)	229	—	11	18	—	258
Hu Yongmin (appointed on 3 September 2009)	—	—	—	—	—	—
Independent non-executive directors						
Cheung Shek Lun	211	—	—	—	—	211
Fang Fenglei (resigned on 18 December 2009)	211	—	—	—	—	211
Wang Shi	246	—	—	—	—	246
Total	1,073	5,449	44	2,938	4,025	13,529

Note: These represent the estimated value of share options granted to the directors under the Company's pre-IPO share option scheme. The value of these share option is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(s)(ii).

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the current or prior years. No director has waived or agreed to waive any emoluments for the current or prior years.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2009: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2009: two) individuals are as follows:

	2010	2009
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,962**	1,426
Discretionary bonuses	**1,489**	812
Share-based payments	**453**	631
Retirement scheme contributions	**44**	22
	3,948	2,891

The emoluments of these two (2009: two) individuals with the highest emoluments are within the following bands:

	2010	2009
RMB1,000,001 to RMB1,500,000	**1**	2
RMB2,000,001 to RMB2,500,000	**1**	—

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB157,376,000 (2009: RMB115,427,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 33(c).

11 OTHER COMPREHENSIVE INCOME

	2010	2009
	RMB'000	*RMB'000*
Exchange differences on translation of financial statements of overseas subsidiaries	**28,093**	2,659

There is no tax effect relating to the above component of other comprehensive income.

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB544,887,000 (2009: RMB405,326,000) and the weighted average number of 2,000,000,000 ordinary shares (2009: 2,000,000,000 shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB589,391,000 (2009: RMB419,718,000) and the weighted average number of ordinary shares of 2,246,774,194 shares (2009: 2,082,483,429 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2010	2009
	RMB'000	*RMB'000*
Profit attributable to equity shareholders	**544,887**	405,326
After tax effect of effective interest on the liability component of convertible bonds *(note 6(a))*	**53,984**	17,688
After tax effect of gain recognised on derivatives embedded to convertible bonds *(note 6(a))*	**(9,480)**	(3,296)
Profit attributable to equity shareholders (diluted)	**589,391**	419,718

12 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

(ii) Weighted average number of ordinary shares (diluted)

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**2,000,000**	2,000,000
Effect of conversion of convertible bonds	**246,774**	82,483
Weighted average number of ordinary shares at 31 December (diluted)	**2,246,774**	2,082,483

The Company's share options and warrants do not give rise to any dilution effect to the earnings per share.

13 SEGMENT REPORTING

Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

Turnover from major services

The Group's turnover from its major services are set out in note 4 to the financial statements.

Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan Province in the PRC.

14 PROPERTY, PLANT AND EQUIPMENT

The Group

2010

	Interests in leasehold land held for own use under operating lease *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2010	46,738	115,351	108,980	21,513	15,608	308,190
Additions	112,843	—	90,254	6,757	3,125	212,979
Disposals	—	—	—	(1,111)	(1,100)	(2,211)
Transfer	—	11,505	(11,505)	—	—	—
Transfer from properties for sale	33,124	38,413	—	—	—	71,537
At 31 December 2010	192,705	165,269	187,729	27,159	17,633	590,495
Accumulated depreciation and amortisation:						
At 1 January 2010	4,622	41,163	—	8,812	9,430	64,027
Charge for the year	2,005	6,859	—	4,132	2,115	15,111
Written back on disposals	—	—	—	(1,019)	(892)	(1,911)
At 31 December 2010	6,627	48,022	—	11,925	10,653	77,227
Net book value:						
At 31 December 2010	186,078	117,247	187,729	15,234	6,980	513,268

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(continued)*

2009

	Interests in leasehold land held for own use under operating lease	Buildings	Construction in progress	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2009	46,738	125,048	59,361	14,975	14,017	260,139
Additions	—	—	49,619	8,170	2,462	60,251
Disposals	—	(9,697)	—	(1,632)	(871)	(12,200)
At 31 December 2009	46,738	115,351	108,980	21,513	15,608	308,190
Accumulated depreciation and amortisation:						
At 1 January 2009	3,728	30,629	—	6,632	7,941	48,930
Charge for the year	894	5,579	—	3,324	2,214	12,011
Written back on disposals	—	(485)	—	(1,144)	(725)	(2,354)
Impairment loss (note 6(c))	—	5,440	—	—	—	5,440
At 31 December 2009	4,622	41,163	—	8,812	9,430	64,027
Net book value:						
At 31 December 2009	42,116	74,188	108,980	12,701	6,178	244,163

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of carrying value of leasehold land is set out as follows:

	2010	2009
	RMB'000	*RMB'000*
Long leases	**24,597**	25,086
Medium-term leases	**161,481**	17,030
	186,078	42,116

All the leasehold land of the Group are located in the PRC.

The Group's property, plant and equipment with carrying value of RMB106,997,000 (2009: RMBNil) were pledged as securities for the Group's other loans. Details are set out in note 26.

15 INVESTMENT PROPERTIES

	Investment properties		
	Completed	**Under development**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2009	245,200	9,384	254,584
Additions	—	401	401
(Decrease)/increase in fair value	(654)	3,115	2,461
Transfer from properties for sale	6,954	—	6,954
At 31 December 2009	251,500	12,900	264,400
Representing:			
Valuation - 2009	251,500	12,900	264,400
At 1 January 2010	251,500	12,900	264,400
Increase in fair value	3,673	—	3,673
Transfer	12,900	(12,900)	—
Transfer from properties for sale	8,827	—	8,827
At 31 December 2010	276,900	—	276,900
Representing:			
Valuation - 2010	276,900	—	276,900

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at 31 December 2010 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued on an open market value basis calculated by reference to net rental income allowance for reversionary income potential.

15 INVESTMENT PROPERTIES *(Continued)*

(b) The analysis of fair value of investment is set out as follows:

	2010 *RMB'000*	2009 *RMB'000*
In PRC		
— long leases	**189,500**	176,300
— medium-term leases	**87,400**	88,100
	276,900	264,400

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to twelve years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	2010 *RMB'000*	2009 *RMB'000*
Within 1 year	**1,536**	1,500
After 1 year but within 5 years	**6,384**	6,264
After 5 years	**207**	1,863
	8,127	9,627

16 INTEREST IN SUBSIDIARIES

	2010 *RMB'000*	2009 *RMB'000*
Unlisted shares, at cost	**135,135**	135,135
Amounts due from subsidiaries	**3,701,748**	1,853,864
	3,836,883	1,988,999

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but are not expected to be settled within one year.

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities	Legal form
Anyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Wholly owned foreign enterprise
Artstar Investments Limited	The British Virgin Islands and Hong Kong	US$10,000	—	95%	Investment holding	Private company
Central China Forest Peninsula (Henan) Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Forest Peninsula (Kaifeng) Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	60%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Hotel Management	Limited liability company
Central China New Land (Henan) Real Estate Company Limited	Henan, the PRC	RMB10,010,000	—	85%	Property development	Limited liability company
Central China Properties Development Limited	Hong Kong	HK$1	—	100%	Inactive	Private company
Central China Premier Service (Zhengzhou) Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Wine trading	Limited liability company
Central China Real Estate (Luoyang) Company Limited	Henan, the PRC	RMB673,000,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities	Legal form
Central China Real Estate Group (China) Company Limited	Henan, the PRC	RMB2,360,000,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate He Bi Co. Ltd.	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Holdings Limited	The British Virgin Islands and Hong Kong	US$13,289	—	100%	Investments holding	Private company
Central China Real Estate Investments Limited	Hong Kong	HK$1	—	100%	Investments holding	Private company
Central China Triumph Real Estate (Luoyang) Company Limited	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company
Construction Premier Service Limited	Hong Kong	HK$1	—	100%	Inactive	Private company
Country Star Holdings Limited	Hong Kong	HK$1	—	95%	Investments holding	Private company
Henan Central China Commercial Properties Management Company Limited	Henan, the PRC	RMB80,000,000	—	100%	Consulting property investment, leasing and management	Limited liability company
Henan Central China Heating Supply Company Limited	Henan, the PRC	RMB15,000,000	—	100%	Provision of heating and hot water	Limited liability company
Henan Central China Real Estate Company Limited *(note (a))*	Henan, the PRC	RMB390,000,000	—	100%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited	Henan, the PRC	RMB120,100,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities	Legal form
Henan St. Andrews Real Estate Company Limited	Henan, the PRC	RMB8,000,000	—	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited	Henan, the PRC	RMB5,000,000	—	60%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited	Henan, the PRC	RMB150,000,000	—	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited	Henan, the PRC	RMB35,000,000	—	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Joy Ascend Holdings Limited	The British Virgin Islands and Hong Kong	US$14,618	100%	—	Investments holding	Private company
Kaifeng Central China Dahong Real Estate Company Limited	Henan, the PRC	RMB150,000,000	—	60%	Property development	Limited liability company
Kaifeng Central China Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	80%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Wholly owned foreign enterprise
Luohe Central China Changjian Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Nanyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Xinxiang Central China Real Estate Company Limited	Henan, the PRC	RMB44,900,000	—	100%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited (note (b))	Henan, the PRC	RMB30,000,000	—	50%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited	Henan, the PRC	RMB58,000,000	—	60%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited	Henan, the PRC	RMB57,000,000	—	100%	Property development	Wholly owned foreign enterprise
Yuzhou New Plaza Construction & Development Company Limited	Henan, the PRC	RMB10,000,000	—	75%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited	Henan, the PRC	RMB59,690,720	—	95%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Company Limited	Henan, the PRC	RMB37,577,000	—	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China Real Estate Company Limited	Henan, the PRC	RMB28,000,000	—	100%	Property development	Wholly owned foreign enterprise

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities	Legal form
Puyang Central China Real Estate Company Limited	Henan, the PRC	RMB40,500,000	—	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited	Henan, the PRC	RMB38,000,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Jianye Huarun Zhiye Company Limited	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Universal Food Development (Henan) Company Limited	Henan, the PRC	RMB4,500,000	—	100%	Property development	Limited liability company
Shanghai Yujin Investments Consultancy Company Limited	Henan, the PRC	RMB1,000,000	—	100%	Investment holding	Limited liability company
Central China Real Estate Gold Dragon Company Limited	Henan, the PRC	RMB50,000,000	—	100%	Property development	Limited liability company
Xuchang Jinyue Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	70%	Property development	Limited liability company
Central China Real Estate Group (Sanmenxia) Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Xinxiang Jili Company Limited	Henan, the PRC	RMB60,000,000	—	60%	Property development	Limited liability company
Central China Real Estate Group Jiaozuo Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Wugang Central China Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Henan Yuanda Company Limited	Henan, the PRC	RMB47,877,400	—	100%	Property development	Limited liability company
Henan Central China Kanghui Real Estate Company Limited	Henan, the PRC	RMB100,000,000	—	60%	Property development	Limited liability company
Henan Jianzheng Real Estate Company Limited	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company
Nanyang Central China Hotel Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Henan Central China Zhizun Hotel Company Limited	Henan, the PRC	RMB2,000,000	—	100%	Property development	Limited liability company
Ahead Properties Limited	Hong Kong	HK$1	—	100%	Investment holding	Limited liability company
Bumper Up Limited	The British Virgin Islands and Hong Kong	HK$1	—	100%	Investment holding	Limited liability company

Notes:

(a) 48.72% interests in Henan Central China Real Estate Company Limited is registered in the name of a trust company pursuant to a trust arrangement (see note 26(b)(ii)).

(b) Xinyang Central China Tianming Real Estate Company Limited ("CCRE Xinyang") is regarded as a subsidiary as the Group controls the board of directors of CCRE Xinyang pursuant to its articles of association.

(c) The English names of the PRC companies referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

17 INTERESTS IN ASSOCIATES

	2010 RMB'000	2009 RMB'000
Share of net assets	**21,747**	19,471
Amounts due from associates	**19,090**	—
	40,837	19,471

Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment but are not expected to be settled within one year.

Details of the Group's interests in associates are set out as follows:

Name of company	Place of incorporation and operation	Registered capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
St. Andrews Golf Club (Zhengzhou) Company Limited	Henan, the PRC	RMB69,000,000	—	40%	Provision of golf facilities	Wholly owned foreign enterprise
Henan Yushang Property Development Company Limited	Henan, the PRC	RMB15,000,000	—	30%	Property development	Limited liability company

Summary financial information on associates

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Loss RMB'000
2010					
100 per cent	390,492	332,400	58,092	13,777	(5,585)
Group's effective interest	125,872	104,125	21,747	4,133	(2,224)
2009					
100 per cent	83,417	34,740	48,677	6,678	(7,077)
Group's effective interest	33,367	13,896	19,471	2,671	(2,831)

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2010 RMB'000	2009 RMB'000
Share of net assets	**1,180,604**	—
Amounts due from jointly controlled entities	**1,561,556**	—
	2,742,160	—

Amounts due from jointly controlled entities, except for an amount of RMB90,000,000 which is interest bearing at 6.67% per annum, are unsecured, interest-free and have no fixed terms of repayment but are not expected to be settled within one year.

Details of the Group's interests in jointly controlled entities are set out as follows:

			Proportion of ownership interest			
Name of company	Place of incorporation and operation	Registered capital	Held by the Company	Held by a subsidiary	Principal activities	Legal form
Henan Central China Taihong Real Estate Limited	Henan, the PRC	RMB50,000,000	—	50%	Property development	Limited liability company
Henan Coal Chemical Central China Real Estate Development Investment Co., Ltd	Henan, the PRC	RMB100,000,000	—	50%	Property development	Limited liability company
Henan United New Town Real Estate Company Limited	Henan, the PRC	RMB652,000,000	—	74.9%	Property development	Limited liability company
Central China Real Estate (Nanyang) Company Limited	Henan, the PRC	RMB579,590,000	—	51%	Property development	Limited liability company
Central China Real Estate (Pingdingshan) Company Limited	Henan, the PRC	RMB310,200,000	—	51%	Property development	Limited liability company

In addition to the above, during the year, the Group has entered into a trust arrangement with Bridge Trust Company Limited ("Bridge Trust"). Pursuant to the Strategic Cooperation Agreement, among others, (i) Bridge Trust has established the Bridge Trust-CCRE Group Real Estate Trust Investment Fund ("Bridge-CCRE Trust") with the trust capital of RMB669,387,000 in which RMB502,017,000 (502,017,000 units) are preferred units and RMB167,370,000 (167,370,000 units) are ordinary units; (ii) the Group has subscribed for the ordinary units of RMB167,370,000; and (iii) the Group has provided a guarantee of return of 7.5% per annum to the holders of the preferred units.

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The Bridge-CCRE Trust is managed by the Investment Committee. The directors are of the opinion that based on the structure of the Investment Committee, neither Bridge Trust (which acts agent of the Preferred Unit Holders) nor the Group has controlling power over the Bridge-CCRE Trust. In this regard, the directors consider that the Bridge-CCRE Trust is jointly controlled by Bridge Trust and the Group and therefore treated as jointly controlled entity on the financial statements of the Group.

The capital on the Bridge-CCRE Trust was initially advanced to the Group at 6.3% per annum for six months and subsequently invested in Henan United New Town Real Estate Company Limited, Central China Real Estate Nanyang Company Limited and Central China Real Estate Pingdingshan Company Limited, which were previously wholly owned subsidiaries of the Group. After the investment by the Bridge-CCRE Trust, these three companies are regarded as jointly controlled entities of the Group as neither the Bridge-CCRE Trust nor the Group has controlling power over the board of directors pursuant to the respective articles of association.

The deemed disposals of these three companies had the following effect on the Group's financial position:

	RMB'000
Properties for sales	(544,176)
Interest in jointly controlled entities	90,000
Amount due from jointly controlled entities	456,047
Trade and other payables and accruals	9,623
Cash and cash equivalents	(11,494)
Net cash outflow	(11,494)

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Summary financial information on jointly controlled entities - Group's effective interest:

	2010	2009
	RMB'000	*RMB'000*
Non-current assets	**600,914**	—
Current assets	**2,063,525**	—
Current liabilities	**(981,818)**	—
Non-current liabilities	**(502,017)**	—
	1,180,604	—
Income	**23**	—
Expenses	**(3,927)**	—
Loss for the year	**(3,904)**	—

19 OTHER FINANCIAL ASSETS

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Unlisted equity securities, at cost		
— in the PRC	**71,800**	15,800

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at 31 December 2010 and 2009.

20 TRADING SECURITIES

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Listed equity securities at fair value in Hong Kong	**163,461**	—

The fair value of the trading securities at 31 December 2010 was measured using quoted prices in active markets for identical financial instruments, which is categorised into Level 1 valuation under HKFRS 7, Financial Instruments: Disclosures.

21 PROPERTIES FOR SALE

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Properties held for future development and under development for sale	**5,277,502**	4,104,937
Completed properties held for sale	**1,057,203**	1,142,509
	6,334,705	5,247,446

(a) The analysis of carrying value of leasehold land held for property development for sale is as follows:

	2010	2009
	RMB'000	*RMB'000*
In the PRC		
— long leases	**3,117,499**	2,785,515
— medium-term leases	**230,722**	15,816
	3,348,221	2,801,331

21 PROPERTIES FOR SALE *(CONTINUED)*

(b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	2010 *RMB'000*	2009 *RMB'000*
Properties held for future development and under development for sale	**2,164,860**	2,362,234

(c) The analysis of the amount of properties for sale recognised as an expense is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Carrying amount of properties for sale sold	**2,876,932**	1,738,510

(d) Certain portion of the Group's properties for sale were pledged as securities for the Group's bank and other loans. Details are set out in notes 25 and 26.

(e) The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for a period of 20 years. The lease does not include any contingent rental. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2010 *RMB'000*	2009 *RMB'000*
Within 1 year	**11,277**	9,240
After 1 year to 5 years	**39,416**	35,826
After 5 years	**93,118**	101,685
	143,811	146,751

The directors confirm that the Group intends to sell the properties together with the respective leases.

22 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bills receivable	**100**	290	**—**	—
Trade receivables *(note (a))*	**40,737**	2,950	**—**	—
Other receivables	**203,260**	142,647	**—**	—
Amounts due from related companies *(note (b))*	**43,126**	112,637	**—**	—
Gross amount due from customers for contract work *(note (c))*	**3,939**	—	**—**	—
Derivative financial instruments *(notes 29 and 30)*	**36,902**	17,101	**36,902**	17,101
	328,064	275,625	**36,902**	17,101

Notes:

(a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Current or less than 1 month overdue	**38,417**	443
1 to 3 months overdue	**156**	130
3 to 6 months overdue	**250**	250
6 months to 1 year overdue	**522**	786
More than 1 year overdue	**1,392**	1,341
	40,737	2,950

The Group's credit policy is set out in note 34(b).

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances, except for the mortgage loans receivable as set out in note 36.

22 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: (continued)

(b) The amounts due from related companies of the Group included a balance of RMB42,774,000 (2009: RMB112,347,000) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company (see note 37(a)). The amount is unsecured, interest free and repayable on demand. The remaining amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

(c) The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from/to customers for contract work at 31 December 2010, is RMB491,750,000 (2009: RMB436,048,000).

23 DEPOSITS AND PREPAYMENTS

At 31 December 2010, the balance included deposits and prepayments for leasehold land of RMB774,093,000 (2009: RMB833,550,000).

24 RESTRICTED BANK DEPOSITS

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Guarantee deposits in respect of:		
— mortgage loans related to property sale	**163,146**	181,985
— bills payable	**373,230**	265,004
— bank loans *(note 25(b))*	**—**	60,000
	536,376	506,989

25 BANK LOANS

(a) At 31 December 2010, the bank loans were repayable as follows:

	The Group			The Company	
	At 31 December 2010	At 31 December 2009 *(Restated)*	At 1 January 2009 *(Restated)*	**At 31 December 2010**	At 31 December 2009
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**1,423,859**	1,114,194	701,179	**—**	68,222
After 1 year but within 2 years	**324,416**	628,622	212,028	**—**	—
After 2 years but within 5 years	**168,000**	30,000	20,000	**—**	—
	492,416	658,622	232,028	**—**	—
	1,916,275	1,772,816	933,207	**—**	68,222

(b) At 31 December 2010, the bank loans were secured as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans				
— secured	**1,176,640**	1,656,594	**—**	—
— unsecured	**739,635**	116,222	**—**	68,222
	1,916,275	1,772,816	**—**	68,222

25 BANK LOANS *(CONTINUED)*

(b) At 31 December 2010, the bank loans were secured as follows: *(Continued)*

At 31 December 2010, assets of the Group secured against bank loans are analysed as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Properties for sale	**1,916,744**	1,852,163
Restricted bank deposits *(note 24)*	**—**	60,000
	1,916,744	1,912,163

(c) The effective interest rates of bank loans of the Group at 31 December 2010 were ranged from 4.70% - 9.18% (2009: 5.31% - 9.18%) per annum.

(d) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. As at 31 December 2010, the non-current portion of term loans from banks repayable on demand amounted to RMB152,672,000 (31 December 2009: RMB132,040,000, 1 January 2009: RMB212,389,000) was classified as current liabilities of the Group upon the adoption of HK (Int) 5 (see note 3) during the year.

The Group regularly monitors its compliance with these covenants, is up to date with the schedules repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. In this regard, the non-current portion of the term loans is not expected to be settled within one year. Further details of the Group's management of liquidity risk are set out in note 34(c).

As at 31 December 2010, none of the covenants relating to drawn down facilities had been breached (2009: RMB Nil).

26 OTHER LOANS

(a) At 31 December 2010, other loans were repayable as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**168,010**	95,640
After 1 year but within 2 years	**297,870**	119,010
After 2 years but within 5 years	**152,000**	253,870
	449,870	372,880
	617,880	468,520

(b) At 31 December 2010, the other loans were secured as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Other loans		
— secured *(note (i))*	**357,880**	391,880
— unsecured *(note (ii))*	**260,000**	76,640
	617,880	468,520

26 OTHER LOANS *(CONTINUED)*

(b) At 31 December 2010, the other loans were secured as follows: *(Continued)*

Notes:

(i) Secured other loans were secured by assets of the Group as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Properties for sales	**174,457**	250,439
Property, plant and equipment	**106,997**	—
	281,454	250,439

Apart from the above, secured other loans with carrying amount of RMB25,000,000 (2009: RMB40,000,000) were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB133,069,000 (2009: RMB141,262,000) at 31 December 2010.

(ii) Included in unsecured other loans is an amount of RMB190,000,000 (2009: RMB7,640,000) in relation to a trust arrangement with a trust company. Under the trust arrangement, the trust company injected paid-in capital to the subsidiary and the legal title of the share was transferred to the trust company. The Group committed to repurchase while the trust company has the obligation to sell such share within a pre-set period. The trust company does not entitle to any profit distribution from the subsidiary but receives fixed interest income periodically. Such paid-in capital is classified as other loans in the financial statements.

(iii) The effective interest rates of other loans of the Group at 31 December 2010 were ranged from 6.38%–14.00% (2009: 6.30%–14.00%) per annum.

27 TRADE AND OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bills payable	**373,230**	265,004	**—**	—
Trade payables *(note (a))*	**980,002**	806,226	**—**	—
Other payables and accruals	**904,945**	688,491	**49,467**	—
Amounts due to jointly controlled entities *(note (b))*	**355,783**	—	**—**	—
Amounts due to related companies *(note (b))*	**32**	32	**—**	—
Amounts due to non-controlling interests *(note (b))*	**123,342**	158,437	**—**	—
Gross amount due to customers for contract work *(note 22(c))*	**—**	36,380	**—**	—
Derivative financial instruments *(note 29)*	**91,175**	85,460	**91,175**	85,460
	2,828,509	2,040,030	**140,642**	85,460

At 31 December 2010, included in trade and other payables and accruals are retention payable of RMB198,796,000 (2009: RMB107,996,000) which are expected to be settled after more than one year.

Notes:

(a) An ageing analysis of trade payables are set out as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**781,206**	698,230
Due after 1 year	**198,796**	107,996
	980,002	806,226

(b) Amounts due to jointly controlled entities, related companies and non-controlling interests of the Group are unsecured, interest free and have no fixed terms of repayment.

28 RECEIPTS IN ADVANCE

Receipts in advance represent sale proceeds received from buyers in connection with pre-sale of properties.

29 CONVERTIBLE BONDS

On 31 August 2009, the Company issued unsecured convertible bonds with principal amount of HK$765,000,000 due 2014 (the "convertible bonds") and 76,097,561 warrants (the "warrants"). The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is 31 August 2014. The convertible bonds can be converted to shares of the Company at HK$3.1 per share, subject to anti-dilutive adjustment, from 28 February 2010 to 31 August 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to 31 August 2014 at the exercise price of HK$4.1 per share, subject to anti-dilutive adjustment.

Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments in accordance with the accounting policy set out in note 2(n) to the financial statements.

In addition to the above, the Company may early redeem all the convertible bonds from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for as derivative financial instruments in accordance with the accounting policy set out in note 2(f) to the financial statements.

29 CONVERTIBLE BONDS *(CONTINUED)*

The movements of different components of the convertible bonds/warrants are set out below:

	Liability component of the convertible bonds	Redemption call option	Redemption put option	Equity component of convertible bonds	Warrant reserve	Total
	(Note 29(a))	*(Notes 22 and 29(b))*	*(Notes 27 and 29(c))*	*(Note 29(d))*	*(Note 29(d))*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Proceeds from issuance of the convertible bonds	546,305	(15,897)	87,768	43,298	11,943	673,417
Transaction costs	(1,661)	48	(267)	(132)	(37)	(2,049)
Net proceeds	544,644	(15,849)	87,501	43,166	11,906	671,368
Interest and transaction costs amortised	6,650	—	—	—	—	6,650
Change in fair value *(note 6(a))*	—	(1,253)	(2,043)	—	—	(3,296)
Exchange difference	(6)	1	2	—	—	(3)
At 31 December 2009	551,288	(17,101)	85,460	43,166	11,906	674,719
At 1 January 2010	551,288	(17,101)	85,460	43,166	11,906	674,719
Interest and transaction costs amortised	21,501	—	—	—	—	21,501
Change in fair value *(note 6(a))*	—	(18,511)	9,031	—	—	(9,480)
Exchange difference	(20,580)	1,032	(3,316)	—	—	(22,864)
At 31 December 2010	552,209	(34,580)	91,175	43,166	11,906	663,876

29 CONVERTIBLE BONDS *(CONTINUED)*

(a) Liability component of convertible bonds represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 9.6% (2009: 9.6%) per annum.

At 31 December 2010, the liability component of convertible bonds, after considering the redemption put options held by the holders of the convertible bonds, was repayable as follows:

	The Group and the Company	
	2010	2009
	RMB'000	*RMB'000*
After one year but within two years	**552,209**	—
After two years but within five years	**—**	551,288
	552,209	551,288

(b) Redemption call option represents the fair value of the Company's option to early redeem all of the convertible bonds.

(c) Redemption put option represents the fair value of the options of the holders of the convertible bonds to early redeem all of the convertible bonds.

(d) Equity component of convertible bonds and warrant reserve represent the excess of proceeds of the convertible bonds over the amount initially recognised as the liability component of convertible bonds and the redemption call and put options.

The fair value of the redemption call and put options as at 31 December 2010 were measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data, which is categorised into Level 2 valuation under HKFRS 7, Financial Instruments: Disclosures. The fair value of the redemption call and put options were determined by an independent valuer, Savills Valuation and Professional Services Limited.

(Expressed in Renminbi)

29 CONVERTIBLE BONDS *(CONTINUED)*

(d) *(continued)*

The assumptions applied in determining the fair value of the redemption call and put options at 31 December 2010 using Binomial (Coz, Ross, Rubinstein) option pricing model are set out as follows:

	2010	2009
Share price *(HK$)*	**2.31**	2.22
Expected volatility	**62%**	62%
Expected dividends	**2.9%**	5%
Risk-free interest rate	**1.4%**	1.93%
Option life	**3.67 years**	4.67 years
Effective interest rate	**8.3%**	9%

30 SENIOR NOTES

On 20 October 2010, the Company issued secured senior notes with principal amount of US$300,000,000 due 2015 (the "senior notes"). The senior notes are interest-bearing at 12.25% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 20 October 2015. On or after 20 October 2013, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on 20 October of each of the years indicated below.

Period	**Redemption price**
2013	106.1250%
2014	103.0625%

30 SENIOR NOTES *(CONTINUED)*

In addition, at any time prior to 20 October 2013, the Company may at its option:

(a) redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

(b) redeem up to 35% of the aggregate principal amount of the senior notes with the funds generated from equity offering at a redemption price of 112.5% at the principal amount of the senior notes, plus accrued and unpaid interest, if any, to the redemption date.

The redemption options held by the Company are separately accounted for at fair value at the initial recognition date and 31 December 2010 as derivative financial instruments in accordance with the accounting policy set out in note 2(f) to the financial statements.

The movements of different components of senior notes are set out below:

	Liability component of the senior notes *(Note 30(a))* *RMB'000*	**Redemption call option** *(Notes 22 and 30(b))* *RMB'000*	**Total** *RMB'000*
Proceeds from issuance senior notes	2,024,595	(310)	2,024,285
Transaction costs	(52,484)	8	(52,476)
Net proceeds	1,972,111	(302)	1,971,809
Interest and transaction costs amortised	190	—	190
Change in fair value *(note 6(a))*	—	(2,072)	(2,072)
Exchange difference	(43,495)	52	(43,443)
At 31 December 2010	1,928,806	(2,322)	1,926,484

30 SENIOR NOTES *(CONTINUED)*

(a) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 12.79% per annum for the year ended 31 December 2010.

At 31 December 2010, the liability component of the senior notes was repayable as follows:

	The Group and the Company	
	2010	2009
	RMB'000	*RMB'000*
After two years but within five years	**1,928,806**	—

(b) Redemption call option represents the fair value of the Company's option to early redeem the senior notes.

The fair value of the redemption call option at its initial recognition date and at 31 December 2010 were measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data, which is categorised into Level 2 valuation under HKFRS 7, Financial Instruments: Disclosures. The fair value of the liability component of senior notes and the redemption call option were determined by an independent valuer, Savills Valuation and Professional Services Limited.

The assumptions applied in determining the fair value of the redemption call option at its initial recognition date and at 31 December 2010 are set out as follows:

	At 31 December 2010	At 20 October 2010
	RMB'000	*RMB'000*
Credit spread	**8.16%**	10.07%

(Expressed in Renminbi)

31 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Pre-IPO share option scheme

On 14 May 2008, the Company conditionally granted certain Pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle five of the Company's directors and ninety employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange of Hong Kong Limited, i.e. 6 June 2008. Under the Pre-IPO Share Option Scheme, no Pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable with the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(b) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

The weighted average value per share option granted during the period estimated at the date of grant using binomial (Coz, Ross, Rubinstein) model was HK$0.8. The weighted average assumptions used are as follows:

Fair value at measurement date	HK$0.8
Share price	HK$1.7
Exercise price	HK$1.9
Expected volatility	68%
Option life	1 year from different vesting periods
Expected dividends	3.9%
Risk-free interest rate	2.6%

(Expressed in Renminbi)

31 EQUITY SETTLED SHARE-BASED TRANSACTION *(CONTINUED)*

(b) Share options granted on 25 May 2010 *(Continued)*

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(c) The number and the weighted average exercise price of share options are as follows:

	2010		2009	
	Exercise price ***HK$***	**Number of options**	Exercise price *HK$*	Number of options
Outstanding at 1 January	**2.75**	**30,050,000**	2.75	31,400,000
Granted during the year	**1.90**	**20,000,000**	N/A	—
Lapsed during the year	**2.75**	**(950,000)**	2.75	(1,350,000)
Outstanding at 31 December	**2.41**	**49,100,000**	2.75	30,050,000
Exercisable at 31 December	**2.75**	**17,460,000**	2.75	6,010,000

The options outstanding at 31 December 2010 had a weighted average exercise price of HK$2.41 (2009: HK$2.75) and a weighted average remaining contractual life of 1.56 years (2009: 1.7 years).

No option were exercised during the year ended 31 December 2010 (2009: Nil).

32 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group			
	PRC Corporate Income Tax *RMB'000*	**PRC Land Appreciation Tax** *RMB'000*	**Withholding tax** *RMB'000*	**Total** *RMB'000*
At 1 January 2009	29,740	27,082	22,500	79,322
Charged to the consolidated income statement *(note 7(a))*	184,021	51,585	—	235,606
Tax paid	(120,199)	(74,799)	(5,263)	(200,261)
At 31 December 2009	93,562	3,868	17,237	114,667
At 1 January 2010	**93,562**	**3,868**	**17,237**	**114,667**
Charged to the consolidated income statement *(note 7(a))*	**274,890**	**226,798**	**27,689**	**529,377**
Tax paid	**(264,686)**	**(143,809)**	**(4,237)**	**(412,732)**
Disposal of a subsidiary	**26**	**—**	**—**	**26**
At 31 December 2010	**103,792**	**86,857**	**40,689**	**231,338**

	2010 *RMB'000*	2009 *RMB'000*
Representing:		
Tax payable	**311,806**	157,141
Prepaid tax	**(80,468)**	(42,474)
	231,338	114,667

32 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(CONTINUED)*

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group		
	Revaluation of properties *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2009	(63,446)	3,309	(60,137)
(Charged)/credited to the consolidated income statement (note 7(a))	(283)	12,668	12,385
Exchange difference	—	3	3
At 31 December 2009	(63,729)	15,980	(47,749)
At 1 January 2010	**(63,729)**	**15,980**	**(47,749)**
Credited to the consolidated income statement (note 7(a))	**12,380**	**1,570**	**13,950**
At 31 December 2010	**(51,349)**	**17,550**	**(33,799)**

	2010 *RMB'000*	2009 *RMB'000*
Representing:		
Deferred tax assets	**18,260**	19,294
Deferred tax liabilities	**(52,059)**	(67,043)
	(33,799)	(47,749)

(c) Deferred tax assets not recognised

The Company has not recognised deferred tax assets in respect of cumulative tax losses of RMB85,608,000 (2009: RMB98,959,000) at 31 December 2010, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within 5 years.

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	2010 No. of shares *'000*	**2010** Amount *HK$'000*	2009 No. of shares *'000*	2009 Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000
RMB equivalent		**179,637**		179,637

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

33 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Reserves *(Continued)*

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 31.

(vi) Distributability of reserves

At 31 December 2010, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2010 was RMB1,263,961,000 (2009: RMB1,265,802,000). After the balance sheet date, the directors proposed a final dividend of HK$9.7 cents, equivalent to RMB8.23 cents (2009: HK$6.8 cents, equivalent to RMB6 cents) per ordinary share, amounting to RMB165,000,000 (2009: RMB120,000,000). This dividend has not been recognised as a liability at the balance sheet date.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

33 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Reserves *(Continued)*

(vii) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital	Share premium	Exchange reserve	Share-based compensation reserve	Equity component of convertible bonds	Warrant reserve	Retained profits	Total
	(Note 33(a))	*(Note 33(b)(i))*	*(Note 33(b)(i))*	*(Note 33(b)(v))*	*(Note 29)*	*(Note 29)*		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2009	179,637	1,076,820	(6,587)	6,604	–	–	209,761	1,466,235
Changes in equity for 2009:								
Profit for the year	–	–	–	–	–	–	115,427	115,427
Exchange difference on translation of financial statements	–	–	(5,804)	–	–	–	–	(5,804)
Total comprehensive income for the year	–	–	(5,804)	–	–	–	115,427	109,623
Dividends approved in respect of the previous year	–	–	–	–	–	–	(193,834)	(193,834)
Issue of convertible bonds with warrants	–	–	–	–	43,166	11,906	–	55,072
Equity settled share-based payment	–	–	–	8,343	–	–	–	8,343
At 31 December 2009	179,637	1,076,820	(12,391)	14,947	43,166	11,906	131,354	1,445,439
Balance at 1 January 2010	**179,637**	**1,076,820**	**(12,391)**	**14,947**	**43,166**	**11,906**	**131,354**	**1,445,439**
Changes in equity for 2010:								
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**157,376**	**157,376**
Exchange difference on translation of financial statements	**–**	**–**	**(48,407)**	**–**	**–**	**–**	**–**	**(48,407)**
Total comprehensive income for the year	**–**	**–**	**(48,407)**	**–**	**–**	**–**	**157,376**	**108,969**
Dividends approved in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**–**	**(117,953)**	**(117,953)**
Equity settled share-based payment	**–**	**–**	**–**	**7,143**	**–**	**–**	**–**	**7,143**
At 31 December 2010	**179,637**	**1,076,820**	**(60,798)**	**22,090**	**43,166**	**11,906**	**170,777**	**1,443,598**

33 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2010	2009
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK$9.7 cents (equivalent to RMB8.23 cents) per ordinary share (2009: HK$6.8 cents (equivalent to RMB6 cents) per ordinary share)	**165,000**	120,000

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$6.8 cents (equivalent to RMB5.90 cents) per ordinary share (2009: HK$11 cents (equivalent to RMB9.69 cents) per ordinary share)	**117,953**	193,834

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

33 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(d) Capital management *(Continued)*

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Company. Net debt is calculated as total bank and other loans, convertible bonds and senior notes less cash and cash equivalents and restricted bank deposits secured against bank loans.

The gearing ratio at 31 December 2010 and 2009 was as follows:

	The Group		
	At 31 December 2010	At 31 December 2009 (Restated)	At 1 January 2009 (Restated)
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
— Bank loans	**1,423,859**	1,114,194	701,179
— Other loans	**168,010**	95,640	123,950
	1,591,869	1,209,834	825,129
Non-current liabilities			
— Bank loans	**492,416**	658,622	232,028
— Other loans	**449,870**	372,880	36,790
— Convertible bonds	**552,209**	551,288	—
— Senior notes	**1,928,806**	—	—
	3,423,301	1,582,790	268,818
Total debt	**5,015,170**	2,792,624	1,093,947
Less: Cash and cash equivalents	**(3,370,335)**	(2,364,987)	(927,721)
Restricted bank deposits secured against bank loans	**—**	(60,000)	(100,000)
Net debt	**1,644,835**	367,637	66,226
Total equity	**3,771,684**	3,319,693	3,089,922
Gearing ratio	**43.6%**	11.1%	2.1%

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, other loans, convertible bonds and senior notes disclosed in notes 25, 26, 29 and 30 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2010, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit and total equity by approximately RMB14,734,000 (2009: decrease the Group's profit and total equity by RMB3,086,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2009.

(b) Credit risk

In respect of trade receivables of mortgage sales, no credit terms will be granted to the purchasers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such purchasers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(b) Credit risk *(Continued)*

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(c) Liquidity risk *(Continued)*

	At 31 December 2010				
	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
Term loans subject to repayment on demand clauses: scheduled repayments	**169,635**	**173,895**	**20,441**	**153,454**	**—**
Other bank loans	**1,746,640**	**1,847,918**	**1,332,025**	**344,356**	**171,537**
Other loans	**617,880**	**721,893**	**232,484**	**329,511**	**159,898**
Convertible bonds	**552,209**	**765,317**	**31,794**	**733,523**	**—**
Senior notes	**1,928,806**	**3,143,674**	**242,506**	**242,506**	**2,658,662**
Trade and other payables and accruals	**2,828,509**	**2,828,509**	**2,629,713**	**198,796**	**—**
Tax payable	**311,806**	**311,806**	**311,806**	**—**	**—**
	8,155,485	**9,793,012**	**4,800,769**	**2,002,146**	**2,990,097**
Adjustments to disclose cash flows on term loans based on lender's right to demand repayment		**(4,260)**	**149,194**	**(153,454)**	**—**
		9,788,752	**4,949,963**	**1,848,692**	**2,990,097**

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(c) Liquidity risk *(Continued)*

	At 31 December 2009 (Restated)				
	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
Term loans subject to repayment on demand clauses: scheduled repayments	411,532	428,705	289,091	4,327	135,287
Other bank loans	1,361,284	1,434,354	757,084	664,853	12,417
Other loans	468,520	549,339	126,381	157,454	265,504
Convertible bonds	551,288	827,282	32,997	32,997	761,288
Trade and other payables and accruals	2,040,030	2,040,030	1,932,034	36,304	71,692
Tax payable	157,141	157,141	157,141	—	—
	4,989,795	5,436,851	3,294,728	895,935	1,246,188
Adjustments to disclose cash flows on term loans based on lender's right to demand repayment		(17,173)	122,441	(4,327)	(135,287)
		5,419,678	3,417,169	891,608	1,110,901

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(c) Liquidity risk *(Continued)*

	At 1 January 2009 (Restated)				
	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
Term loans subject to repayment on demand clauses: scheduled repayments	212,389	221,106	8,179	212,927	—
Other bank loans	720,818	780,440	533,209	226,781	20,450
Other loans	160,740	170,711	133,013	37,698	—
Trade and other payables and accruals	1,940,923	1,940,923	1,850,926	37,781	52,216
Tax payable	106,842	106,842	106,842	—	—
	3,141,712	3,220,022	2,632,169	515,187	72,666
Adjustments to disclose cash flows on term loans based on lender's right to demand repayment		(8,717)	204,210	(212,927)	—
		3,211,305	2,836,379	302,260	72,666

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Foreign exchange risk

The Group is exposed to currency risk primarily through bank deposits and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars and United States Dollars.

The following table details the Group's exposure at 31 December 2010 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group			
	2010		2009	
	United States Dollars	**Hong Kong Dollars**	United States Dollars	Hong Kong Dollars
	'000	***'000***	*'000*	*'000*
Cash and cash equivalents	**31,873**	**1,155**	145	2,753
Bank loans	**—**	**—**	—	(68,043)
Senior notes	**(292,296)**	**—**	—	—
Inter-company borrowings	**(30,000)**	**(60,000)**	—	—
Gross exposure arising from recognised assets and liabilities	**(290,423)**	**(58,845)**	145	(65,290)
Notional amount of forward exchange contract	**—**	**—**	—	68,043
Overall net exposure	**(290,423)**	**(58,845)**	145	2,753

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Foreign exchange risk *(Continued)*

In addition to the above, the Group's subsidiary with functional currency of Hong Kong Dollars has a receivable of RMB350,000,000 (2009: RMB Nil) from the a PRC subsidiary of the Group.

A reasonably possible increase of 5% (2009: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars and United States Dollars would increase the Group's profit and total equity by RMB30 million (2009: RMB Nil). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant.

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and that all other variables, in particular interest rates, remain constant.

35 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements are as follows:

	2010	2009
	RMB'000	*RMB'000*
Authorised but not contracted for	**11,805,438**	6,690,626
Contracted but not provided for	**1,957,446**	1,758,903
	13,762,884	8,449,529

Capital commitments mainly related to land and development costs for the Group's properties under development and investment in subsidiaries.

35 COMMITMENTS *(CONTINUED)*

(b) Commitments for operating leases

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**4,164**	655
After 1 year but within 5 years	**7,097**	1,200
	11,261	1,855

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

36 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the purchasers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 31 December 2010 is as follows:

	2010	2009
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**3,060,798**	2,472,712

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group has not applied for individual building ownership certificates for these purchasers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

37 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2010, major related party transactions entered by the Group are as follows:

		2010	2009
	Note	***RMB'000***	*RMB'000*
Sales of properties	(a)	**—**	93,978
Rental expenses	(b)	**336**	461
Interest expenses	(c)	**25,285**	7,366

37 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) In 2009, the Group sold commercial properties at a consideration of RMB93,978,000 to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company. No properties were sold to that company in 2010. The unsettled amount in respect of sale of properties to that company at 31 December 2010 amounted to RMB42,774,000 (2009: RMB112,347,000) (note 22(b)). The outstanding amount is unsecured, interest free and recoverable on demand.

(b) The amount represented rental expenses for the office of the Group paid to a related company, in which Mr Wu Po Sum has significant interest.

(c) The amounts represented interest expenses in relation to advances from non-controlling interests of a subsidiary and a jointly controlled entity which is interest bearing at 12% and 6.3% per annum respectively. Both advances were settled during the year.

38 ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) Acquisitions of subsidiaries

During the year, the Group has acquired certain subsidiaries which hold property development projects. Acquisition of these subsidiaries enables the Group to expand its land banks. Acquisitions of major subsidiaries by the Group during the year are summarised as follows:

Date of acquisition	**Name of subsidiaries acquired**	**Percentage of equity interest acquired**	**Consideration**
			RMB'000
14 May 2010	Central China Real Estate Xinxiang Jili Company Limited	60%	71,100
1 July 2010	Henan Yuanda Company Limited	100%	176,528
30 September 2010	Xuchang Jin Yue Real Estate Company Limited	70%	50,246

38 ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisitions of subsidiaries *(Continued)*

The acquisitions of these subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount *RMB'000*	**Adjustments** *RMB'000*	**Recognised values on acquisitions** *RMB'000*
Property, plant and equipment	40	—	40
Deposits and prepayment	9,100	—	9,100
Properties for sale	140,521	249,454	389,975
Cash and cash equivalents	10,010	—	10,010
Trade and other payables	(42,316)	—	(42,316)
Non-controlling interests	(27,000)	(41,935)	(68,935)
Net identified assets and liabilities	90,355	207,519	297,874
Total consideration paid			297,874
Total cash and cash equivalents acquired			(10,010)
Net cash outflow			287,864

The above subsidiaries contributed an aggregate turnover of RMBNil and loss attributable to the equity shareholders of the Company of RMB2,574,000 to the Group for the year ended 31 December 2010. Should the acquisitions had occurred on 1 January 2010, the consolidated turnover and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2010 would have been RMB4,516,351,000 and RMB542,334,000 respectively.

38 ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Acquisitions of non-controlling interests

During the year, the Group has acquired additional interests in certain subsidiaries which hold property development projects. The acquisitions of additional interests in these subsidiaries enable the Group to maximise its benefits in the respective projects. Acquisitions of non-controlling interests by the Group during the year are summarised as follows:

(i) On 2 March 2010, the Group acquired additional 3.32% equity interest in Henan Central China Sun City Real Estate Company Limited ("Central China Sun City") at a consideration of RMB5,295,000. Subsequent to the acquisition, the Group's equity interest in Central China Sun City increased from 96.68% to 100%.

(ii) On 24 August 2010, the Group acquired additional 25% equity interest in Luohe Central China Changjian Real Estate Company Limited ("Luohe Changjian") at a consideration of RMB28,984,000. Subsequent to the acquisition, the Group's equity interest in Luohe Changjian increased from 75% to 100%.

(iii) On 12 October 2010, the Group acquired additional 35% equity interest in Shangqiu Jianye Huarun Zhiye Company Limited ("Shangqiu Huarun") at a consideration of RMB102,000,000. Subsequent to the acquisition, the Group's equity interest in Shangqiu Huarun increased from 65% to 100%.

The combined carrying amount of non-controlling interests at the dates of the acquisitions was RMB46,797,000 and the excess of the total consideration over the carrying amount of the non-controlling interests of RMB89,482,000 are recognised in other capital reserve in accordance with the accounting policy set out in note 2(c).

39 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Impairment provision for buildings and construction in progress

As explained in note 2(h), the Group makes impairment provision for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Provision for properties for sale

As explained in note 2(k), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

39 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(CONTINUED)*

(c) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) PRC Corporate Income Tax and PRC Land Appreciation Tax

As explained in note 7, the Group is subject to PRC Corporate Income Tax and PRC Land Appreciation Tax under both authorised taxation method or audited taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

39 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(CONTINUED)*

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(g) Valuation of investment properties

All investment properties of the Group are revalued as at the balance sheet date by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sale prices for similar properties in the same location and condition and the appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

(h) Estimation of fair value of derivative financial instruments

Redemption call and put options embedded to convertible bonds and senior notes of the Group are classified as derivative financial instruments and stated at fair value at each balance sheet date. The fair value of these options is measured based on the assumptions set out in notes 29 and 30. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

(Expressed in Renminbi)

40 NON-ADJUSTING POST-BALANCE SHEET EVENT

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 33(c)(i).

41 COMPARATIVE FIGURES

As a result of the application of HK (Int) 5, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 3.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	1 January 2011
HKFRS 9, Financial instruments	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income taxes	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

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