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**SUNAC CHINA HOLDINGS LIMITED**

**融創中國控股有限公司**

(於開曼群島註冊成立的有限公司)

(股票代碼：01918)

## 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證券上市規則（「上市規則」）第13.10B條刊發。

茲提述融創中國控股有限公司（「本公司」）就二零一三年票據發行而於二零一三年三月二十七日及二零一三年三月二十八日刊發的公告（「該等公告」）。除另有界定者外，本公告所用的所有詞彙與該等公告所界定者具有相同涵義。

請參閱隨附日期為二零一三年三月二十七日有關二零一三年票據的發售備忘錄（「發售備忘錄」），其已於二零一三年四月八日於新加坡證券交易所有限公司網站刊登。

於香港聯合交易所有限公司網站刊登發售備忘錄僅為促使向香港投資者同步發佈資料並遵守上市規則第13.10B條，且概無任何其他目的。

發售備忘錄並不構成向任何司法權區的公眾人士提呈發售任何證券的招股章程、通告、通函、冊子或廣告，亦非邀請公眾人士提出認購或購買任何證券的要約，且不在於邀請公眾人士提出認購或購買任何證券的要約。

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承董事會命  
融創中國控股有限公司  
主席  
孫宏斌

香港，二零一三年四月八日

於本公告日期，本公司執行董事為孫宏斌先生、汪孟德先生、李紹忠先生、遲迅先生、商羽先生及荊宏先生；本公司非執行董事為胡曉玲女士及竺稼先生；及本公司獨立非執行董事為潘昭國先生、李勤先生、馬立山先生及謝志偉先生。

**IMPORTANT NOTICE**  
**NOT FOR DISTRIBUTION IN THE UNITED STATES**

**IMPORTANT: You must read the following before continuing.** The following applies to the offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this offering memorandum. In accessing this offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THIS OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES LAWS OF APPLICABLE JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

**Confirmation and your representation:** In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, you must comply with the following provisions. By accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to the issuer; The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Citigroup Global Markets Limited, ICBC International Capital Limited, Industrial and Commercial Bank of China (Asia) Limited and Morgan Stanley & Co. International plc (collectively, the "Joint Bookrunners"); and The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Citigroup Global Markets Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited and Morgan Stanley & Co. International plc (collectively, the "Initial Purchasers") that (1) you and any customers you represent are outside the United States and the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such offering memorandum by electronic transmission.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a "professional investor" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or, if you are outside Hong Kong, you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located. You may not, nor are you authorized to, deliver or disclose the contents of this offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate, as the case may be, on behalf of the issuer in such jurisdiction.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the Initial Purchasers, any person who controls or is otherwise affiliated with any of them, or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Strictly Confidential

US\$500,000,000



Sunac China Holdings Limited

(incorporated in the Cayman Islands with limited liability)

## 9.375% Senior Notes due 2018

Issue Price: 100%

plus, in each case, accrued interest, if any, from the issue date

Our 9.375% Senior Notes due 2018 (the "Notes") will bear interest from April 5, 2013 at 9.375% per annum payable semi-annually in arrears on April 5 and October 5 of each year, beginning October 5, 2013. The Notes will mature on April 5, 2018.

At any time and from time to time prior to April 5, 2016, we may redeem up to 35% of the Notes, at a redemption price of 109.375% of the principal amount, plus accrued and unpaid interest, if any, to (but not including) the redemption date, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, prior to April 5, 2016, we may redeem the Notes at any time, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus (i) accrued and unpaid interest, if any, to (but not including) the redemption date and (ii) an applicable premium as set forth in this offering memorandum. We may at our option redeem the Notes, in whole or in part, at any time and from time to time on or after April 5, 2016 at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined herein), 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 (but not including) the date of repurchase.

The Notes are our senior obligations, guaranteed by certain of our existing subsidiaries organized outside the People's Republic of China (the "Subsidiary Guarantors"). We refer to the guarantees by the Subsidiary Guarantors as the "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 (the "JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as the "JV Subsidiary Guarantors."

The Notes will (1) rank senior in right of payment to any of our existing and future obligations expressly subordinated in right of payment to the Notes, (2) rank at least *pari passu* in right of payment with our outstanding 12.5% Senior Notes due 2017 (the "2012 Notes") and all our unsecured, unsubordinated indebtedness (subject to any priority rights pursuant to applicable law), (3) be effectively subordinated to our other secured obligations and the secured obligations of 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) be 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 "Description of the Notes" beginning on page 246.

**Investing in the Notes involves risks. See "Risk Factors" beginning on page 24.**

Approval in-principal has been received for the listing and quotation of the Notes on 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 of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States. The Notes are being offered and sold by the Initial Purchasers (as defined herein) only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see "Transfer Restrictions" beginning on page 330.

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 depository for, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme*, Luxembourg ("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 forth herein, individual certificates for the Notes will not be issued in exchange for beneficial interests in the Global Note. It is expected that delivery of the Notes will be made on April 5, 2013 or such later date as may be agreed by the Initial Purchasers and us.

*Joint Bookrunners and Joint Lead Managers*

HSBC

BOC International

Citigroup

ICBC

Morgan Stanley

The date of this offering memorandum is March 27, 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.**

**In connection with the issue of the Notes, each of The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Citigroup Global Markets Limited, ICBC International Securities Limited and Morgan Stanley & Co. International plc (or their respective affiliates) as stabilizing manager may, subject to applicable laws and regulations, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the time of delivery. However, there is no obligation on any of these stabilizing managers to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.**

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

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 any of The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Citigroup Global Markets Limited and ICBC International Capital Limited, Industrial and Commercial Bank of China (Asia) Limited and Morgan Stanley & Co. International plc (collectively, the “Joint Bookrunners”) or The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Citigroup Global Markets Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited and Morgan Stanley & Co. International plc (collectively, the “Initial Purchasers”) or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers, to the fullest extent permitted by law, assume no responsibility for the accuracy or completeness of any such information or for any statement made or purported to be made by the Initial Purchasers or on our behalf in connection with the Company, the 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.

The Notes are being offered and sold by the Initial Purchasers only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. 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.

Market data, industry forecast and the PRC and property industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us, the Initial Purchasers, the Trustee (as defined herein), the Agents (as defined herein), or our or their respective directors and advisors, and neither we, the Initial Purchasers, the Trustee, the Agents 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.

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, the Trustee, the Agents 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.

In this offering memorandum, the term “Company” refers to Sunac China Holdings Limited, and the terms “we,” “us,” “our,” and words of similar import refer to Sunac China Holdings Limited, or Sunac China Holdings Limited and its subsidiaries, as the context requires. The term “owners of the parent” refers to shareholders of the Company. For purposes of describing our business operations, the term “our subsidiaries and associates” refers to our consolidated subsidiaries and other entities in the PRC in which we own a non-controlling equity interest.

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

We prepare and publish our consolidated 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 RMB6.2301 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 December 31, 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 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. References to “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.

References to the “2012 Notes” are to our 12.5% Senior Notes due 2017 issued under an indenture dated as of October 16, 2012.

All site area and gross floor area (“GFA”) data presented in this offering memorandum for any project represents the site area and GFA of the entire project, respectively, including such amount attributable to the other shareholders of our non-wholly owned project companies. References to “sq.m.” are to the measurement unit of square meters. For purposes of measuring our sales performance, the term “committed sales” refers to our sales evidenced by binding pre-sale or sales contracts and sales confirmed by non-binding memorandums of understanding and non-refundable cash deposits. Committed sales are not derived from accounting records, are not audited or reviewed sales numbers and are calculated based on our internal records. Committed sales presented herein may not be comparable to similarly titled measures presented by other companies.

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 totals 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.



## 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 and investment;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the region where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “anticipate,” “going forward,” “ought to,” “seek,” “project,” “forecast,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not a guarantee of future performance and 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, in a jurisdiction outside the United States, such as the British Virgin Islands or 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, the majority of our directors and officers and the majority of 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 such 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, Sidley Austin, 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, Jincheng Tongda & Neal Law Firm, that there is uncertainty as to whether the courts of the PRC 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 consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which differ in certain respects from generally accepted accounting principles in certain other countries. Our reporting currency is the Renminbi.

## GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain terms in this offering memorandum that are commonly used in connection with our business. The terms and their meanings may not correspond to standard industry meanings or usages of those terms.

“aggregate GFA” .....	the total of saleable/rentable GFA and non-saleable/rentable GFA
“CAGR” .....	compound annual growth rate
“certificate of completion” .....	the construction project planning inspection and clearance certificate (建設工程竣工驗收備案) issued by various local bureaus in China including the fire protection department, planning department, environmental protection department and air defense department with respect to the completion of property projects subsequent to their on-site examination and inspection
“commodity properties” .....	residential properties, commercial properties and other buildings that are developed by real estate developers for the purposes of sale or lease after their completion
“construction land planning permit” .....	the construction land planning permit (建設用地規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
“construction permit” .....	the construction works commencement permit (建設工程施工許可證) issued by a local governmental construction committee or some other relevant government authority
“construction works planning permit” .....	the construction works planning permit (建設工程規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
“GFA” .....	gross floor area
“land bank” .....	the total amount, in terms of aggregate GFA, of: (i) completed properties that have not been sold or delivered, (ii) properties under development, and (iii) properties held for future development (including those for which we have entered into a land grant contract but have not obtained the land use rights certificate)
“land grant contract” .....	the state-owned land use right grant contract (國有土地使用權出讓合同) entered into with a land administration bureau or some other relevant government authority in respect of the grant of state-owned land use rights
“land use right certificate” .....	the state-owned land use right certificate (國有土地使用證) issued by a local land and resources bureau or some other relevant government authority

“LAT” .....	land appreciation tax
“non-saleable/rentable GFA” .....	the amount of GFA that is not for sale or for rent, which typically includes communal facilities
“pre-sale permit” .....	the commodity property pre-sale permit (商品房預售許可證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
“property ownership certificate” .....	the property ownership certificate (房地產權證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
“saleable/rentable GFA” .....	the amount of GFA that a property developer intends to sell or rent and that does not exceed the multiple of the site area and the maximum permissible plot ratio
“sq.m.” .....	square meter

## 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 “Risk Factors,” “Description of the Notes,” and our consolidated financial statements and the related notes, before making an investment decision.*

### **Our Business**

We are an integrated residential and commercial property developer with a focus on high-end and high-quality property developments in selected cities in China. We currently focus on the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou and operate in eight strategically targeted cities which we believe have significant potential for economic growth, namely Beijing, Tianjin, Shanghai, Wuxi, Suzhou, Changzhou, Chongqing, and Hangzhou. Since we commenced operations in Tianjin in 2003, we have successfully established a strong market position in Tianjin and have been active in expanding our business through our subsidiaries and associates to the other target cities. In 2012, we ranked 12th by sales amount among the top 50 real estate companies in China according to China Real Estate Information Corporation (中國房產信息集團) and China Real Estate Appraisal (中國房地產測評中心), fifth by sales amount among property developers in Beijing according to Sina Leju, first by sales amount among property developers in Tianjin according to SouFun.com, second by sales amount among property developers in Chongqing according to the Chongqing Morning Post, and first by sales amount among property developers in Wuxi according to CRIC (China) Information Technology Co., Ltd. (“CRIC”). In recent years, we have won many awards for our significant achievements in the property sector nationwide or region-wide:

- We ranked eighth among the “2012 Top 10 Brands of China Real Estate Companies” (2012中國房地產公司品牌價值TOP 10) and were recognized as one of the “Top 10 North China Real Estate Company Brands” (中國華北房地產公司品牌價值Top 10) for five consecutive years from 2007 to 2011 and one of the “Leading China Real Estate Company Brands for Urban Complexes” (中國房地產都市綜合體專業領先品牌) for four consecutive years from 2007 to 2010 by the China Real Estate Top 10 Research Team, an organization jointly established by the Enterprise Research Institute of the Development Research Center of the PRC State Council, the Real Estate Research Institute of Tsinghua University and the China Index Academy;
- We received the “Most Influential Real Estate Company in China in 2012” (2012年中國最具影響力地產企業) and “Most Valuable Public Real Estate Company in China in 2011” (2011年中國最具價值地產上市企業) awards at the Boao Real Estate Forum jointly sponsored by Guandian.cn, National Business Daily, Focus.cn, China Times, among others;
- In 2012, we ranked 17th on the “2012 Top 100 Chinese Public Real Estate Companies” (2012中國房地產上市公司百強) list, 14th on the “2012 Top 20 Corporate Brand Value of China Property Developers” (2012 中國房地產企業品牌價值20強) list and fifth on the “2012 Top Five Operating Performance of Chinese Public Real Estate Companies” (2012中國房地產上市公司經營績效5強) list published by China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal; and
- In 2011, we received the “Excellent High-End Real Estate Enterprise in Mainland China” (大陸地區高端地產卓越企業) award at the 19th Chinese Golden Stone Award for Architecture (中華建築金石獎) given by the Chinese Educational, Scientific and Cultural Development Association and the Organization Committee for the Chinese Golden Stone Award for Architecture.

We focus on the development of integrated residential and commercial properties. We develop a variety of residential properties for sale, including high-rise apartments, mid-rise apartments, townhouses and detached villas. We also develop various commercial properties



primarily for sale as well as for lease, including retail stores, offices and serviced apartments. Many of our residential projects are large in scale, featuring a combination of residential properties integrated with value-added ancillary facilities such as clubhouses, retail stores, parking spaces and schools. Our commercial properties are typically large-scale commercial complexes combining retail space, offices, parking facilities and, in some cases, serviced apartments. We focus on delivering high-quality products and services to medium to high-income customers. During the three years ended December 31, 2012, we generated substantially all of our revenue from sales of residential and commercial properties.

Through our subsidiaries and associates, we have engaged in a total of 44 property development projects as of the date of this offering memorandum. As of December 31, 2012, these projects comprised completed properties, properties under development and properties held for future development with a total site area of approximately 9.3 million sq.m. and a total aggregate GFA of approximately 20.2 million sq.m. As of December 31, 2012, we, through our subsidiaries and associates, have delivered an aggregate GFA of approximately 6.6 million sq.m. and held a land bank of approximately 13.6 million sq.m. comprising (i) a completed aggregate GFA of approximately 1.1 million sq.m. held for sale or for investment, (ii) a planned aggregate GFA of approximately 4.7 million sq.m. under development, and (iii) a planned aggregate GFA of approximately 7.8 million sq.m. for future development. In addition, we entered into agreements with Beijing Vantone Real Estate Co., Ltd. (北京萬通地產股份有限公司) (“Beijing Vantone”) in December 2012 and January 2013, pursuant to which we agreed to acquire a minority interest in Tianjin TEDA City Development Co., Ltd. (天津泰達城市開發有限公司) (“TEDA City”), which has three property development projects in Tianjin. On March 16, 2013, we, Greentown China Holdings Limited (“Greentown China”), China Gold Associates Limited (“China Gold”) and the sole shareholder of China Gold entered into a cooperative framework agreement, pursuant to which we and Greentown China conditionally agreed to acquire Golden Regal Limited (“Golden Regal”), which, through its subsidiaries, has one property development project in Shanghai. On March 14, 2013, we, Ying Zi Real Estate Investment Holdings Ltd (“Ying Zi Real Estate”), a wholly owned subsidiary of ours, Summer Sky Investments Limited (碩通投資有限公司) (“Summer Sky”) and Shimao Property Holdings Limited (“Shimao”) entered into a share subscription agreement, pursuant to which Ying Zi Real Estate has agreed to subscribe for 49% equity interest in Summer Sky, which successfully bid a site located in Hangzhou.

For the years ended December 31, 2010, 2011 and 2012, our revenue was RMB6,653.8 million, RMB10,604.0 million and RMB20,842.6 million (US\$3,345.5 million), respectively, and our profit attributable to owners of the Company was RMB1,542.2 million, RMB2,356.2 million and RMB2,607.3 million (US\$418.5 million), respectively.

### **Competitive Strengths**

We believe that the following strengths of our Company will allow us to compete effectively in the property market in the PRC:

#### ***Proven ability to grow our business in strategically targeted cities with high growth potential***

Since we commenced operations in 2003, we, through our subsidiaries and associates, have developed and grown our business in a number of strategically targeted cities. We believe each of our target cities has high growth potential in terms of, among other factors, GDP, average income level outlook, development of urban infrastructure, property market supply and demand dynamics, and ability to attract purchasers from outside the city. In order to diversify market concentration risks, we have selected target cities located in different parts of China featuring complementary growth profiles and different stages of economic development. We believe the five regions in which our subsidiaries and associates currently operate could serve as an important platform in sustaining our business growth:

- *Beijing.* Beijing is the political and economic center of the PRC. While its property market is relatively mature, structural and investment demand has continued to grow steadily. Beijing’s property transaction volumes and prices were among the first in the country to recover from the market downturn commencing in 2008.

- *Tianjin.* Tianjin is one of the four municipalities directly under the central government of the PRC, located at the center of the Bohai Rim region. The development of the Binhai New Area of Tianjin was included in the Eleventh Five-Year Plan and the Twelfth Five-Year Plan of the PRC for 2006 to 2010 and 2011 to 2015, respectively. In 2008, the State Council approved the Binhai New Area's Comprehensive Reform Proposal, which aimed to develop the Binhai New Area of Tianjin as one of the major development zones in China. We expect Tianjin to continue to benefit from long-term regional growth and expect substantial property demand to continue to fuel the real estate market.
- *Shanghai.* The Shanghai region encompasses economically vibrant cities such as Shanghai, Wuxi, Suzhou and Changzhou, which we believe present a unique growth opportunity for us. For example, Shanghai is the financial center of China and Wuxi and Suzhou are some of the most affluent and well developed cities in the Yangtze River Delta region. Suzhou has also attracted significant investment from numerous Fortune 500 companies. While property prices in Wuxi and Suzhou have stayed relatively low as compared to the other major cities with comparable economic development, we believe that these markets exhibit high growth potential for the foreseeable future.
- *Chongqing.* Chongqing is one of the four municipalities directly under the central government of the PRC (along with Beijing, Tianjin and Shanghai) and the key focus of long-term economic development and support under the central government's "Go West" plans. Designated as the economic, financial and logistics hub of the "Great West," Chongqing has continued to benefit from numerous policy incentives from the central government including preferential tax rates. In addition, Chongqing had a large population of approximately 29.2 million as of December 2011 and an increasing rate of urbanization. The property market has begun to grow rapidly in recent years and, given the relatively low property prices in Chongqing as compared to other similarly sized cities, we believe Chongqing's property market has significant room for future growth.
- *Hangzhou.* Hangzhou has been one of the most renowned and prosperous cities of China for a long history, due in part to its attractive and beautiful scenery. As the capital and financial center of Zhejiang Province, Hangzhou has long been an economic and industrial center of eastern China. Benefiting from this strategic position, Hangzhou has witnessed substantial economic growth in recent years. Compared with the rapid economic growth, property prices in Hangzhou have been relatively reasonable over the past few years. We believe Hangzhou's property market also has significant potential for future growth.

***Successful track record in developing large-scale, integrated property projects***

The majority of our property development projects are large in scale and are developed in phases with pre-sales and delivery spanning over a number of years. For example, each of Sunac Magnetic Capital and Sunac Olympic Garden has a planned aggregate GFA of more than one million sq.m. and a development timeline of approximately 11 years. By focusing on developing large-scale properties and maintaining growth in average selling prices for each phase of a project, we have been able to achieve steady growth in revenue and significant growth in profit for the three years ended December 31, 2012. Our revenue increased at a CAGR of 77.0% from RMB6,653.8 million in 2010 to RMB20,842.6 million (US\$3,345.5 million) in 2012. Our profit for the year increased at a CAGR of 30.3% from RMB1,541.0 million in 2010 to RMB2,614.7 million (US\$419.7 million) in 2012. We expect to complete the remaining phases of most of our existing projects in the next three to five years and, as a result, believe our track record in developing large-scale projects provides a solid basis to predict future cash flow for that time period.

As our large-scale, integrated property projects are being completed in phases, we believe the gradual maturing of communities will help create new city or district centers in our target cities and provide us with valuable benefits, including:

- creating greater and sustainable economies of scale;
- enhancing the long-term appreciation in value of our property products, especially those in later project phases;
- enhancing our brand recognition and brand value both locally and regionally;
- facilitating our ability to obtain support from local authorities during our land acquisition and project development processes;
- enhancing our ability to meet different and changing preferences and demands of our customers in our target cities; and
- strengthening our position as a versatile property developer to capture growth opportunities as well as to meet challenges presented by changes in the regulatory environment and market conditions.

***Strong ability to maintain a high-quality land bank at a relatively low cost***

We, through our subsidiaries and associates, have a high-quality land bank in our target cities. Each of our land sites features some or all of the following geographic advantages:

- *superior locations*, such as in central business districts and areas identified by the government to be key development areas;
- *scenic views*, including views of the Meijiang Park in Tianjin, the valleys surrounding Sunac Olympic Garden in Chongqing, Lake Tai in Wuxi, Lake Chunshen in Suzhou, Xixi Wetlands in Hangzhou, Baiwang Mountain in Beijing and Yangtze River in Chongqing;
- *proximity to cultural, leisure and commercial facilities*, such as the Tianjin Olympic Sports Center, Water Park and Nancuiping Park in Tianjin and the Chongqing International Convention and Exhibition Center in Chongqing;
- *proximity to prominent educational institutions*, such as Tianjin University and Nankai University in Tianjin; and
- *convenient access to public transportation*, including, for example, subways, light transit railways and buses.

For the year ended December 31, 2012, our average unit land cost based on total GFA delivered was RMB4,482 per sq.m., which accounted for 25.9% of our average selling price per sq.m. of such properties. We believe that because of our experience and judgment as to the timing and potential of land acquisition opportunities, we, through our subsidiaries and associates, have been able to build a successful track record in identifying and acquiring land sites at relatively early stages in their long-term appreciation potential and therefore at relatively low costs. For example, in December 2008, we demonstrated considerable foresight in capitalizing on the PRC land market correction arising from the economic downturn for cost-effective land bank replenishment, and Beijing Sunac Hengji Real Estate Development Co., Ltd (“Sunac Hengji”) (formerly known as Shougang Sunac Real Estate Development Co., Ltd.), our associate at the time, acquired the land parcels in respect of the Sunac West Chateau project for a total land cost of RMB2,147.1 million, or RMB7,747 per sq.m. of planned above-ground GFA. The market value for this land had since risen to RMB6,515.0 million, or RMB23,834 per sq.m. of planned above-ground GFA, as of August 31, 2011, according to the valuation by an independent property valuer.

### ***Seasoned and cohesive management team with strong corporate governance***

Sun Hongbin, our Chairman and Chief Executive Officer, has more than 17 years of experience in real estate development in China. Many of our executive directors and senior management also have more than 14 years of property development experience in China, and all of them have obtained tertiary education or relevant professional qualifications. Some of our executive directors and senior management used to be core members of the Sunco Group's management team and have worked cohesively as a team led by Mr. Sun even before the establishment of our Company. We believe they have benefited from their prior experience, which has helped them successfully grow our business over the years despite facing various challenges, including those arising from the PRC government's macroeconomic control measures and the property market downturn caused by the global financial crisis.

Prior to our initial public offering, we brought in, among other financial institutions, CDH China Fund III, L.P. Limited ("CDH") in 2007 and Bain Capital Asia Fund, L.P. ("Bain Capital") in 2009 as our investors. Each of CDH and Bain Capital has appointed a non-executive director to our board of directors. We believe that with the support and contribution of our financial investors, we have been able to further strengthen our corporate governance and execution capabilities. Our financial investors provide us with a second opinion and other valuable advice on key business decisions including corporate financial policies, land and project acquisitions, as well as major development decisions such as product positioning and marketing strategies. Furthermore, with our financial investors' experience and expertise in adopting best practices in financial and management controls, we have been able to further strengthen our management systems and internal control procedures. We believe that having stable, long-term collaborative relationships with these sophisticated investors will help us maintain strong and solid long-term prospects as we continue to develop and grow our business.

### ***High-quality products with strong brand recognition***

We believe our products feature a high quality of design and construction, particularly in terms of spatial efficiency, construction innovation, environmental harmony and visual appeal. We have engaged internationally acclaimed design firms to design our projects. We are selective in choosing competent and reputable contractors through public tenders to construct our projects. In addition, we implement management and internal approval procedures designed to monitor and control the development process, to ensure consistently high-quality design and construction. In recognition of the quality of our property developments, our projects have received many prestigious awards, both national and regional, including the "Chinese Golden Stone Award for Architecture – Top Residential Brand" (中華建築金石獎頂尖居住品牌) for our Sunac Eton Manor project, "2012 Chinese Luxury Real Estate Golden Cauldron" (2012中國豪宅金鼎獎), the "World-class Luxury Residence in China" (世界級豪宅中國代表作) and the "Top Ten Fashion Projects in 2011 in China" (2011年度中國十大風尚樓盤) for our Sunac West Chateau project in 2011, the "Chinese Golden Stone Award for Architecture" (中華建築金石獎) for our Sunac Olympic Garden in 2010 and 2011, the "National Zhan Tianyou Gold Award for Excellent Residential Community in Chongqing in 2010" (2010全國詹天佑大獎重慶優秀住宅小區金獎) for our Sunac Olympic Garden project and the "Representative New Trend in Distinctive Chinese-style Property Development in China" award (中國特色地產新趨勢代表) for our Sunac Magnetic Capital project in 2010. We believe our focus on high-quality products and our endeavor to bring excellent value to our customers have contributed to the rapid growth of our brand recognition and brand value. We believe our strong brand recognition and proven execution capabilities, particularly in our current target cities, will continue to add to our competitive advantages in the region and enable us to expand our operations in the industry while achieving premium pricing on our future real estate products.

### ***Prudent cash flow management to maintain strong liquidity***

We have been able to maintain strong liquidity through prudent cash flow management. We consider cash flow management as a first priority in managing our operations. Our strong sales have helped ensure adequate cash inflow. We use committed sales, which include sales evidenced by binding pre-sale or sales contracts and sales confirmed by non-binding memorandums of understanding and non-refundable cash deposits, to measure our sales performance. We have achieved strong growth in sales in recent years, recording total committed sales of approximately RMB8,334.3 million, RMB19,209.1 million and RMB35,640.0 million and an average selling price of approximately RMB11,438 per sq.m., RMB16,092 per sq.m. and RMB17,800 per sq.m. in 2010, 2011 and 2012, respectively. We take a cautious approach toward land acquisition and strive to secure sources of funding before making any land acquisition. Through active control of unpaid land grant fees, we are able to reduce the pressure that off-balance sheet liabilities may pose on our cash flow and capital structure. Our cash balance has stayed at a reasonably high level for the three years ended December 31, 2012. As of December 31, 2012, our total cash and cash equivalents and restricted cash together amounted to RMB12,262.7 million (US\$1,968.3 million), while our total current borrowings amounted to RMB11,782.5 million (US\$1,891.2 million). We believe our prudent cash flow management and strong liquidity will enable us to further expand in our target markets, provide us with greater flexibility in capital management and help us sustain long-term growth.

### **Business Strategies**

We intend to implement the following business strategies in order to achieve our goal of becoming a leading property development company in China providing high-quality products and services to medium to high-income target customer segments:

#### ***Reinforce and strengthen our position in the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou***

In 2012, we, through our subsidiaries and associates, acquired 22 projects in the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou with a total aggregate GFA of approximately 7.4 million sq.m., including an aggregate GFA attributable to us of approximately 3.7 million sq.m. We intend to continue to focus on the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou and further reinforce our competitive position in select cities in these regions. Each of these five regions is economically developed and has large and medium-sized cities populated with a significant number of medium to high-income potential customers with strong purchasing power. After years of property development operations in our target cities, we, through our subsidiaries and associates, have developed significant competitive strengths in most of the cities in which we operate. We intend to continue to aim to become a leading property developer in each of our target cities in order to capitalize on what we expect to be the significant demand in those cities and enhance our return on investment. We intend to continue to adopt a focused and disciplined approach in expanding our business by:

- prioritizing the development of our current projects, which we believe have significant potential for premium pricing and high investment return. We believe that with the experience and customer base we have gained from the development of the earlier phases of these projects, we should be able to execute our project development plan more effectively in the future, thus helping us significantly enhance our profits and investment return for these projects;
- leveraging our experience in our current target cities, our understanding of our target customers, and our strong relationships with local governments and other business partners, to acquire new parcels of land and develop new projects in these regions; and

- remaining open to potential opportunities in other cities in China while solidifying and enhancing our position in our current target cities to increase our geographical diversification and broaden our revenue base. In selecting and entering a new city, we intend to focus on cities within those five regions in order to fully leverage our management experience and establish strengths in such regions. In addition, we may carefully consider cities with substantial potential for development in other regions.

In selecting a geographical market, we generally consider the growth potential and the stage of economic development of the city, the capital requirements and anticipated profitability of the particular projects involved, the distribution of target customers, our understanding of the local market and regulatory environments, as well as the availability of local management and sales talent.

***Maintain a high-quality land bank in a disciplined manner via diverse channels***

We intend to obtain information on land acquisition opportunities via diverse channels and conduct detailed analysis of such information. In assessing a particular site, we typically consider both the return on investment and the strategic positioning of the potential project in order to select and acquire land parcels that suit our development needs and provide substantial investment returns. We believe maintaining a high-quality land bank at reasonable cost will assist us in prudently managing our cash flow and business operations while continuing to grow our business. This is especially important when we encounter material changes in government policies, laws and regulations or in industry or market trends. In particular, our land bank strategy includes:

- acquiring land in superior locations within central areas and close to distinct landmarks in the relevant cities, taking into account the development prospects of the land site, the concentration of medium to high-income potential customers and the market positioning of the potential project; we believe the selection of location is important for achieving premium pricing under various market conditions and may help mitigate declines in property prices when the property market weakens;
- acquiring an optimal amount of land reserves appropriate for future development over a period of four to five years on a rolling basis, which we believe is appropriate for medium to long-term planning without compromising our operational flexibility; and
- using a variety of channels, as well as our experience, market understanding and industry knowledge, to acquire land at reasonable cost, including, for example, by (i) acquiring interests in land from government entities through public tenders, auctions and listings-for-sale; (ii) purchasing from existing non-governmental land interest holders pursuant to land transfer agreements; and (iii) establishing joint ventures with companies which have acquired or are well-positioned to acquire interests in land or acquiring equity interests in other companies engaged in property development. For example, in March 2013, we and Greentown China conditionally agreed to acquire a company with one property development project in Shanghai and we and Shimao also agreed to jointly invest in a project in Hangzhou.

***Focus on delivering high-end and high-quality products and services to medium to high-income customers***

Our property development operations comprise project planning and design, construction, marketing and sales, and property management. We engage in or supervise each of these operations in order to assure the quality of our products and services. In carrying out our property development activities, our group headquarters centrally coordinate the planning of projects and implements standardized management, and our project companies work toward refining the detailed implementation plans based on local market and customer characteristics.

Our product strategy, in general, is to offer medium to high-income customers high-end and high-quality products that suit their needs. We intend to continue to, among other things:

- incorporate our understanding of the needs of our medium to high-income target customers into the planning of our projects, including such areas as community style, supporting facilities, property configurations and structures, marketing plans and service standards;
- focus on design as a core component of product quality to allow us to deliver high-quality products;
- maintain strict quality control of construction and product standards, which our customers may directly perceive, thereby to not only meet the standards set for the current positioning of a project but also achieve higher standards to provide differentiated product offerings; and
- pay meticulous attention to details as we believe refining product details is key to achieving high-end and high-quality products.

By executing this product strategy and leveraging our high-quality land bank, we intend to further upgrade our products and increase our offerings of properties that can be marketed at premium prices with respect to our selected projects. In order to achieve our product strategy as mentioned above, we intend to further strengthen our core competency in various parts of our property development operations. In terms of design, while we continue to enhance our design and research and development capabilities, we have been working with established design firms and architects to build long-term strategic partner relationships; we also have a specialized team at our group headquarters to take charge of key areas in research and development in order to build our knowledge base and skill set. In terms of construction, we intend to balance the needs of general and specialty contractors and continue to partner with established suppliers; we also endeavor to assure high quality of landscaping, interior design and other parts of our projects while maintaining control of the overall quality and costs. In addition, we intend to provide differentiated property management services as a key part of our product strategy and intend to promote caring and specialized property management services, such as providing distinctive services or organizing special activities based on our customer needs, to certain of our properties.

***Further strengthen our brand recognition and enhance our brand influence among our medium to high-income target customers***

We believe that a strong brand is a significant factor in our success. We intend to continue to promote our brand name by focusing on quality and innovation, providing good after-sales and property management services, and engaging in marketing initiatives such as advertising campaigns. We intend to continue to enhance the recognition of and loyalty to our “Sunac” corporate brand among existing and potential customers. To reflect our brand value and spirit, we have set our brand positioning as “passion for perfection” (至臻, 致遠). We, through our subsidiaries and associates, use the “Sunac” corporate brand in all our projects and enhance our brand and image by establishing landmark projects in our target cities.

We believe a strong brand helps us quickly sell or lease properties at premium prices, thereby significantly increasing our return on investment. In order to achieve premium pricing, we intend to continue to deliver high-quality products and services and further enhance customer satisfaction. In particular, we intend to continue to:

- conduct market research and leverage our experience to meet the needs and preferences of our target customers;
- leverage our prior experience and research to guide and help our property management companies and relevant third-party property management companies to deliver enhanced after-sale services to our purchasers and tenants; and

- promote our “Sunac” corporate brand as well as the project brand in connection with each project, through a selection of marketing initiatives including advertising on a variety of media, such as television, newspapers and billboards.

***Continue to enhance our corporate governance, internal control, cash flow management and human resources practices***

We intend to continue to adopt best practices and industry standards for corporate governance and internal control, and to continue to draw on our senior management’s expertise and experience to facilitate our operations. For 18 months after our initial public offering in October 2010, we had engaged Protiviti Shanghai Co., Ltd., a third-party internal control advisor specializing in risk advisory and internal control related services, to periodically review and enhance our internal control systems. We plan to seek further external professional advice with regard to corporate governance and internal control matters. We intend to enhance our internal management by maintaining well defined responsibilities of each operating unit to ensure orderly and efficient operations and rapid responses to changing market conditions. We have been revamping our corporate management software and rolling out a comprehensive and integrated group-wide enterprise resource planning (ERP) system covering the entire project development value chain and project life cycle in order to enhance the efficiency, effectiveness and standardization of our operational management systems, thereby further supporting our business growth. The integration of core financial, business and human resources applications of the ERP has been successfully implemented, which has helped remove information barriers within our organization resulting in a more comprehensive, transparent and effective information platform. We have also been setting up an integrated operational analysis business intelligence system which helps us monitor our business operations, analyze and identify discrepancies and trends in operational issues to achieve pro-active intervention and faster analysis and decision-making. We have also introduced a cloud management system with intelligent terminals to allow mobile office functions and improve business efficiency. We aim to enhance our overall financial and cost control while preserving flexibility and efficiency at the project level.

In addition, we intend to continue to enhance our cash flow position by remaining cautious in our decision making with respect to operations and investments, including, for example, decisions as to whether to enter a new city, which new city to enter, how much land to acquire, how to acquire a particular parcel of land, when to launch pre-sales and execute sales, and what payment terms to agree to for our payables. We intend to also carefully manage our financing position and our proceeds from pre-sales and sales to maintain an adequate liquidity level and to explore a range of financing sources to maintain the availability of low-cost capital. Furthermore, we seek to further refine our internal evaluation and reward system to promote professionalism, initiative and team spirit among our employees and to cultivate our corporate culture. We plan to also continue to actively recruit new talent to optimize our human resources and enhance the productivity and competitiveness of our workforce.

**Recent Developments**

***Sales Performance for the Two Months Ended February 28, 2013***

Our total committed sales (including sales evidenced by binding pre-sale or sales contracts and sales confirmed by non-binding memorandums of understanding and deposit payment) for the two months ended February 28, 2013 were approximately RMB7,150.0 million, 164.0% higher than our total committed sales for the two months ended February 28, 2012, and represented a total GFA of approximately 341,000 sq.m. and an average selling price of approximately RMB21,000 per sq.m.

***Joint Acquisition with Greentown China of Entire Indirect Interest in Golden Regal***

On March 16, 2013, we, Greentown China, China Gold Associates Limited (“China Gold”) and the sole shareholder of China Gold entered into a cooperative framework agreement, pursuant to which we and Greentown China conditionally agreed to acquire through our equally-owned joint venture, and China Gold conditionally agreed to dispose of, the entire issued share



capital of Golden Regal Limited (“Golden Regal”). Upon completion of this transaction, which will be subject to customary closing conditions, we and Greentown China will each hold, through the joint venture, 50% interest in Golden Regal. The joint venture and Golden Regal and its subsidiaries will become our subsidiaries and their financial results will be consolidated into our financial statements. The aggregate consideration under the cooperative framework agreement (subject to adjustment) payable by Greentown China and us is RMB9,019 million, which will be payable by Greentown China and us in equal shares. We expect to enter into a definitive equity transfer agreement within 45 days from March 16, 2013. The consideration will be paid pursuant to the payment schedule specified in the cooperative framework agreement, with the final payment due within 210 days after signing of the definitive equity transfer agreement. Golden Regal, through its subsidiaries, has one property development project in China.

#### ***Acquisition of Minority Interest in Summer Sky***

On March 14, 2013, we, Ying Zi Real Estate, a wholly owned subsidiary of ours, Summer Sky and Shimao entered into a share subscription agreement, pursuant to which Ying Zi Real Estate has agreed to subscribe for, and Summer Sky has agreed to allot and issue to Ying Zi Real Estate, 49 shares of Summer Sky at the price of HK\$1.00 per share for an aggregate consideration of HK\$49 in cash. Upon completion of the share subscription, we will indirectly hold 49% equity interest in Summer Sky, while Shimao will indirectly hold the remaining 51% equity interest in Summer Sky. On February 20, 2013, Summer Sky successfully bid a site located in Hangzhou for an aggregate consideration of RMB1,601.7 million. Shimao and we have agreed that the total investment for developing this site will not exceed US\$298 million and we will make a capital contribution of approximately RMB907 million in proportion to our interest in the project.

#### ***Top-up Placement of Shares***

On January 21, 2013, we, our controlling shareholder Sunac International Investment Holdings Ltd. (“Sunac International”), and Citigroup Global Markets Asia Limited (“Citigroup”) entered into a placing and subscription agreement, pursuant to which (i) Citigroup agreed to place, on a fully underwritten basis, 300,000,000 of our existing ordinary shares at a price of HK\$6.70 per share on behalf of Sunac International and (ii) Sunac International conditionally agreed to subscribe for 300,000,000 of new ordinary shares to be issued by us (the “Subscription Shares”) at a price of HK\$6.70 per share. The Subscription Shares were issued on January 29, 2013. The net proceeds from the issuance of Subscription Shares were HK\$1,998.7 million (RMB1,618.6 million).

#### ***Acquisition of Minority Interest in TEDA City***

On December 21, 2012, Tianjin Sunac Zhidi Co., Ltd. (天津融創置地有限公司) (“Sunac Zhidi”) entered into an equity transfer agreement with Beijing Vantone, pursuant to which Sunac Zhidi agreed to, for a cash consideration of RMB348.8 million, acquire from Beijing Vantone a 23.5% equity interest in TEDA City. On January 7, 2013, Sunac Zhidi entered into an equity and debt transfer agreement with Beijing Vantone, pursuant to which Sunac Zhidi agreed to (i) acquire from Beijing Vantone an additional 23.5% equity interest in TEDA City for a cash consideration of RMB348.9 million and (ii) take up the assignment of a shareholder’s loan from Beijing Vantone to TEDA City in the amount of RMB124.3 million for a cash consideration of RMB124.3 million. As of the date of this offering memorandum, we have completed the transactions under these transfer agreements and the relevant registrations with the State Administration for Industry and Commerce for the transfers of equity interests. The consideration paid pursuant to these transfer agreements was funded by our internal resources. Following our acquisition of its equity interests, TEDA City is held as to 53% by Tianjin TEDA Group Co., Ltd. (“TEDA Group”) and 47% by Sunac Zhidi and is accounted for as an associate of our Company.

**General Information**

We were incorporated in the Cayman Islands on April 27, 2007, as an exempted company with limited liability. Our ordinary shares have been listed on the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) since October 7, 2010 under stock code 1918. Our principal place of business in the PRC is located at 10/F, Building C7, Magnetic Plaza, Binshuixi Road, Nankai District, Tianjin 300381, PRC. Our principal place of business in Hong Kong is located at 8/F, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong. Our registered office is located at Landmark Square, 3rd Floor, 64 Earth Close, P.O. Box 30592, Grand Cayman KY1-1203, Cayman Islands. Our website is [www.sunac.com.cn](http://www.sunac.com.cn). Information contained on our website does not constitute part of this offering memorandum.

## The Offering

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

Issuer .....	Sunac China Holdings Limited (the “Company”).
Notes Offered .....	US\$500,000,000 aggregate principal amount of 9.375% Senior Notes due 2018 (the “Notes”).
Offering Price .....	100% of the principal amount of the Notes.
Maturity Date .....	April 5, 2018.
Interest .....	The Notes will bear interest from and including April 5, 2013 at the rate of 9.375% per annum, payable semi-annually in arrears.
Interest Payment Dates .....	April 5 and October 5 of each year, commencing October 5, 2013.
Ranking of the Notes .....	The Notes are: <ul style="list-style-type: none"><li>• general obligations of the Company;</li><li>• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;</li><li>• at least <i>pari passu</i> in right of payment with the 2012 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);</li><li>• 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;”</li><li>• effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and</li><li>• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.</li></ul>

After the extension of the benefit of the security interests created over the Collateral (as described below) to the Holders, subject to certain limitations described under “Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “Description of the Notes – Security,” the Notes will:

- be entitled to a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement shared on a *pari passu* basis with the holders of the 2012 Notes and holders of other Permitted *Pari Passu* Secured Indebtedness);
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral 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 securing the applicable Subsidiary Guarantee (subject to any 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 – The Subsidiary Guarantees – 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, the New Non-Guarantor Subsidiaries and the Existing Offshore Non-Guarantor Subsidiaries. The Existing Offshore Non-Guarantor Subsidiaries are newly incorporated subsidiaries that do not, as of the Original Issue Date, have any asset other than their respective issued share capital.

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations. 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 – Certain Definitions” (other than Non-Guarantor Subsidiaries), will provide a guarantee of the Notes promptly upon becoming a Restricted Subsidiary.

Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary; *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC, other than Shanghai Sunac Greentown, that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 25% of the Total Assets of the Company.

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

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations (if any) 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 the subsidiary guarantee for the 2012 Notes and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law).

After the extension of the benefit of the security interests created over the Collateral to the holders, subject to certain limitations described under “Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “Description of the Notes – Security,” the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a lien on the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any Permitted Liens and the Intercreditor Agreement and shared on a *pari passu* basis with the holders of the 2012 Notes and holders of other Permitted *Pari Passu* Secured Indebtedness); 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 the Collateral.”

Ranking of JV Subsidiary

Guarantees .....

A JV Subsidiary Guarantee may be provided by a Restricted Subsidiary in lieu of a Subsidiary Guarantee following a sale or issuance of shares by the Company or any of its Restricted Subsidiaries of Capital Stock in such Restricted Subsidiary, where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of such Restricted Subsidiary or following a purchase by the Company or any of its Restricted Subsidiaries of no less than 50.1% and no more than 80.0% of the Capital Stock of an independent third party, which becomes a Restricted Subsidiary after the purchase. 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 the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- 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 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 and the initial Subsidiary Guarantor Pledgors have pledged in favor of the Collateral Agent the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (subject to Permitted Liens and *pari passu* sharing as described below) in order to secure the obligations of the Company under the indenture for the 2012 Notes and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the 2012 Notes and the obligations of the Company or any Subsidiary Guarantor Pledgor under other *pari passu* secured indebtedness.

Upon the execution of the Intercreditor Agreement, the benefit of the Collateral will be extended to secure the obligations of the Company under the Notes and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

In addition, the Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement to be entered into by the holders of the Notes, the holders of the 2012 Notes and the holders of Permitted *Pari Passu* Secured Indebtedness in the future (subject to conditions of completion and accession to the Intercreditor Agreement) on the date the Notes are issued. See “Description of the Notes – Security.”

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 Collateral may be released at any time after the later of (i) 183 days after repayment in full of all amounts owing by the Company or any Subsidiary Guarantors or JV Subsidiary Guarantors under the 2012 Notes and (ii) the date on which no outstanding Indebtedness other than the Notes is secured by the Collateral; *provided* that, no Default has occurred and is continuing on such date or no Default would have occurred as a result of such release.

Intercreditor Agreement..... On or prior to the Original Issue Date, (i) the Company, (ii) the initial Subsidiary Guarantor Pledgors, (iii) the Collateral Agent, (iv) DB Trustees (Hong Kong) Limited, as trustee with respect to the 2012 Notes and (v) the Trustee will enter into an intercreditor agreement dated as of the Original Issue Date, pursuant to which the parties thereto will agree that (1) the secured parties thereto and the holders of any future Permitted Pari Passu Secured Indebtedness (or their trustee, representative or agent) will share equal priority and pro rata entitlement in and to the Collateral; (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 (as defined herein); (3) holders of any future Permitted Pari Passu Secured Indebtedness (or their respective trustees, representatives or agents) that are secured by the Collateral shall also appoint the Collateral Agent to act as their collateral agent with respect to the Collateral; and (4) the conditions under which the Collateral Agent shall enforce the rights of the secured parties thereto with respect to the Collateral and the Indebtedness secured thereby. See “Description of the Notes – Security – Intercreditor Agreement.”

Use of Proceeds..... We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$491.5 million. We intend to use a substantial portion of the net proceeds for refinancing our existing indebtedness and the remainder for general corporate purposes. We may adjust our 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 such net proceeds in “Temporary Cash Investments” as defined under “Description of the Notes.”



Optional Redemption..... At any time prior to April 5, 2016, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

We may at our option redeem the Notes, in whole or in part, at any time and from time to time on or after April 5, 2016 at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time prior to April 5, 2016, the Company may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 109.375% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

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

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

Covenants.....	<p>The Notes, the Indenture governing the Notes and the Subsidiary Guarantees and the JV Subsidiary Guarantees will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> <li>• incur or guarantee additional indebtedness and issue disqualified or preferred stock;</li> <li>• declare dividends on its capital stock or purchase or redeem capital stock;</li> <li>• make investments or other specified restricted payments;</li> <li>• issue or sell capital stock of Restricted Subsidiaries;</li> <li>• guarantee indebtedness of Restricted Subsidiaries;</li> <li>• sell assets;</li> <li>• create liens;</li> <li>• enter into sale and leaseback transactions;</li> <li>• enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;</li> <li>• enter into transactions with shareholders or affiliates; and</li> <li>• effect a consolidation or merger.</li> </ul> <p>These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes – Certain Covenants.”</p>
Transfer Restrictions .....	<p>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.”</p>
Form, Denomination and Registration.....	<p>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 depository for Euroclear and Clearstream.</p>
Book-Entry Only.....	<p>The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes – Book-Entry; Delivery and Form.”</p>

Delivery of the Notes.....	The Company expects to make delivery of the Notes, against payment in same-day funds, on or about April 5, 2013, which the Company expects will be the fourth business day following the date of this offering memorandum referred to as “T+4.” You should note that initial trading of the Notes may be affected by the T+4 settlement. See “Plan of Distribution.”	
Paying Agent .....	Deutsche Bank AG, Hong Kong Branch	
Trustee and Collateral Agent.....	DB Trustee (Hong Kong) Limited	
Note Registrar .....	Deutsche Bank Luxembourg S.A.	
Listing .....	Approval in-principle has been received for the listing of the Notes on the SGX-ST. 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.	
Ratings.....	The Notes are expected to be rated “B+” by Standard & Poor’s Ratings Services, “B1” by Moody’s Investors Service and “BB-” by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.	
Security Codes.....	<b>ISIN</b>	<b>Common Code</b>
	XS0909370651	090937065
Governing Law .....	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.	
Risk Factors .....	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors.”	

### Summary Consolidated Financial Data

The summary consolidated income statement data for the years ended December 31, 2010, 2011 and 2012 and the summary consolidated balance sheet data as of December 31, 2010, 2011 and 2012 below have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum. You should read the summary financial data below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period. Our consolidated financial statements have been prepared and presented in accordance with HKFRSs, which differ in certain respects from generally accepted accounting principles in other jurisdictions.

	For the year ended December 31,			
	2010 <sup>(1)</sup>	2011	2012	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
	(unaudited)			
<b>Consolidated income statement data:</b>				
Revenue.....	6,653,759	10,604,047	20,842,592	3,345,467
Cost of sales.....	(3,775,608)	(7,037,574)	(15,460,142)	(2,481,524)
<b>Gross profit</b> .....	<b>2,878,151</b>	<b>3,566,473</b>	<b>5,382,450</b>	<b>863,943</b>
Gains from business combination.....	–	835,430	154,916	24,866
Selling and marketing costs.....	(108,799)	(314,090)	(529,959)	(85,064)
Administrative expenses.....	(155,819)	(301,079)	(354,540)	(56,908)
Other (losses)/gains, net.....	–	(75,900)	20,467	3,285
Other income.....	24,411	18,316	15,849	2,544
Other expenses.....	(1,840)	(7,540)	(1,894)	(304)
<b>Operating profit</b> .....	<b>2,636,104</b>	<b>3,721,610</b>	<b>4,687,289</b>	<b>752,362</b>
Finance income.....	18,504	18,687	29,168	4,682
Finance costs.....	(186,756)	(202,030)	(113,101)	(18,154)
Share of profit/(loss) of jointly controlled entities.....	49,828	97	(30,438)	(4,886)
Share of profit/(loss) of associates.....	79,443	(10,072)	(8,347)	(1,340)
Gains from acquisition of associates.....	–	–	119,957	19,254
<b>Profit before income tax</b> .....	<b>2,597,123</b>	<b>3,528,292</b>	<b>4,684,528</b>	<b>751,919</b>
Income tax expenses.....	(1,056,132)	(1,145,220)	(2,069,788)	(332,224)
<b>Profit for the year</b> .....	<b>1,540,991</b>	<b>2,383,072</b>	<b>2,614,740</b>	<b>419,695</b>
<b>Attributable to:</b>				
Owners of the Company.....	1,542,161	2,356,168	2,607,300	418,501
Non-controlling interests.....	(1,170)	26,904	7,440	1,194
	<b>1,540,991</b>	<b>2,383,072</b>	<b>2,614,740</b>	<b>419,695</b>
Dividends <sup>(2)</sup> .....	191,182	235,617	260,730	41,850
<b>Other financial data (unaudited):</b>				
EBITDA <sup>(3)</sup> .....	2,907,446	3,801,487	6,113,098	981,220
EBITDA margin <sup>(4)</sup> .....	43.7%	35.8%	29.3%	29.3%

- (1) The interest income for the year ended December 31, 2010 has been reclassified from “Other Income” to “Finance cost, net,” to conform with the presentation in the audited consolidated financial statements for the years ended December 31, 2011 and 2012.
- (2) Dividends represent the proposed final dividend in respect of such fiscal year. For the year ended December 31, 2012, our board of directors proposed to declare a final dividend of approximately RMB260.7 million, which is expected to be paid on August 8, 2013, subject to shareholders’ approval.
- (3) EBITDA consists of profit for the year before finance costs (including capitalized finance costs under cost of sales), income tax expenses, net other gain or loss, gains from business combination, gains from acquisition of associates, share of profit or loss of associates, share of profit or loss of jointly controlled entities, depreciation, amortization of intangible assets and share option expenses, amortization of valuation surplus of acquired properties and non-controlling interests. EBITDA is not a standard measure under HKFRSs. 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 identical to EBITDA measures used by us for other purposes and 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 under HKFRSs 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. 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.
- (4) EBITDA margin is calculated by dividing EBITDA by revenue.

	As of December 31,			
	2010 <sup>(1)</sup>	2011	2012	
	(RMB’000)	(RMB’000)	(RMB’000)	(US\$’000)
				(unaudited)
<b>Consolidated balance sheet data:</b>				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment .....	17,932	28,157	48,947	7,857
Investment properties .....	583,500	551,500	570,500	91,572
Intangible assets .....	308,873	313,841	308,500	49,518
Investments in jointly controlled entities.	178,540	97	1,081,184	173,542
Investments in associates.....	297,775	979,753	3,123,480	501,353
Payments for property development projects .....	–	–	85,000	13,643
Deferred income tax assets .....	228,335	424,924	885,135	142,074
Available-for-sale financial assets.....	–	10,212	–	–
	<u>1,614,9554</u>	<u>2,308,484</u>	<u>6,102,746</u>	<u>979,558</u>
<b>Current assets</b>				
Properties under development.....	8,032,371	19,999,293	37,697,620	6,050,885
Completed properties held for sale .....	1,009,898	5,651,306	8,703,708	1,397,041
Trade and other receivables .....	681,773	451,373	415,920	66,760
Amounts due from jointly controlled entities .....	161,547	441,000	1,289,920	207,046
Amounts due from associates .....	–	–	1,772,488	284,504
Prepayments .....	–	893,995	2,689,111	431,632
Restricted cash.....	291,056	1,103,719	3,868,713	620,971
Cash and cash equivalents .....	3,957,952	2,763,386	8,394,026	1,347,334
	<u>14,134,597</u>	<u>31,304,072</u>	<u>64,831,506</u>	<u>10,406,174</u>
<b>Total assets.....</b>	<u><u>15,749,552</u></u>	<u><u>33,612,556</u></u>	<u><u>70,934,252</u></u>	<u><u>11,385,732</u></u>

	As of December 31,			
	2010 <sup>(1)</sup>	2011	2012	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(unaudited)
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Ordinary shares .....	259,112	259,112	260,341	41,788
Reserves .....	4,404,849	6,791,875	9,228,671	1,481,304
	4,663,961	7,050,987	9,489,012	1,523,091
<b>Non-controlling interests .....</b>	–	354,728	2,505,164	402,107
<b>Total equity .....</b>	<b>4,663,961</b>	<b>7,405,715</b>	<b>11,994,176</b>	<b>1,925,198</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings.....	4,625,113	9,320,700	9,942,480	1,595,878
Long-term payable .....	131,868	–	166,745	26,764
Deferred income tax liabilities.....	210,678	2,258,287	4,536,843	728,214
	4,967,659	11,578,987	14,646,068	2,350,856
<b>Current liabilities</b>				
Trade and other payables.....	2,446,814	3,810,458	7,115,809	1,142,166
Advanced proceeds from customers .....	1,422,258	5,839,974	15,145,978	2,431,097
Amounts due to joint controlled entities .	–	–	428,925	68,847
Amounts due to associates.....	450,104	66,150	1,184,417	190,112
Amounts due to non-controlling interests .....	–	–	3,540,126	568,229
Current income tax liabilities .....	731,136	2,657,372	5,096,206	817,998
Borrowings.....	1,067,620	2,253,900	11,782,547	1,891,229
	6,117,932	14,627,854	44,294,008	7,109,678
<b>Total liabilities .....</b>	<b>11,085,591</b>	<b>26,206,841</b>	<b>58,940,076</b>	<b>9,460,535</b>
<b>Total equity and liabilities .....</b>	<b>15,749,552</b>	<b>33,612,556</b>	<b>70,934,252</b>	<b>11,385,732</b>
<b>Net current assets.....</b>	<b>7,855,125</b>	<b>16,676,218</b>	<b>20,537,498</b>	<b>3,296,496</b>
<b>Total assets less current liabilities.....</b>	<b>9,631,620</b>	<b>18,984,702</b>	<b>26,640,244</b>	<b>4,276,054</b>

(1) Certain loans to associate as of December 31, 2010 and 2011 have been reclassified from “Investment in associates” in non-current assets to “Amounts due from associates” in current assets, to conform with latest presentation in the audited financial statements for the year ended December 31, 2012.

## RISK FACTORS

*You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before making an investment decision in relation to the Notes. The risks and uncertainties described below may not be the only ones that exist. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, prospects, financial condition and 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 depend heavily on the performance of the property market in the PRC, particularly in the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou***

We engage in property development in various cities in the PRC. As of the date of this offering memorandum, we, through our subsidiaries and associates, have six projects in Beijing, 13 projects in Tianjin, seven projects in Shanghai, five projects in Chongqing, six projects in Wuxi, three projects in Suzhou, one project in Changzhou and three projects in Hangzhou, which accounted for approximately 7%, 22%, 11%, 22%, 20%, 3%, 10% and 3%, respectively, of our land bank. Our success depends largely on the performance of the property market in China, particularly in Beijing, Tianjin, Shanghai, Wuxi, Suzhou, Changzhou, Chongqing and Hangzhou. The PRC property market will continue to be affected by economic, monetary, fiscal or other policies and measures of the PRC government. If economic conditions in the PRC deteriorate as a result of a prolonged global economic downturn or otherwise, if the PRC government implements macro-economic control or other measures that aim to curtail, or have the effect of curtailing, property demand or property development in China, or if we fail to respond to changes in market conditions and government policies, in particular those related to our target markets, in a timely manner, our business, prospects, financial condition and results of operations would be materially and adversely affected. Any decreased property demand is likely to affect the selling prices of our properties as well as the time it will take us to pre-sell or sell our properties. 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. Delays in selling properties 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.

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

The property development business is capital intensive. It typically requires substantial capital outlays for land acquisition and property development and may take months or years before a cash inflow, if any, can be generated by the pre-sale or sale of a completed property development. As of December 31, 2010, 2011 and 2012, our commitments for property development expenditure were RMB15,105.0 million, RMB23,200.2 million and RMB32,031.6 million (US\$5,141.4 million), respectively. In addition, we engage selectively in primary land development projects, which also require significant capital outlays. We cannot assure you that we will be able to achieve or maintain a net cash inflow from operating activities in the future, and any decline or under-performance of our pre-sales or sales, and any other matter adversely impacting our net cash outflow, could adversely affect our financial condition.

In order to finance our capital intensive business, we have maintained a high level of indebtedness, of which a large amount is secured by certain of our properties and land use rights. As of December 31, 2010, 2011 and 2012, our total borrowings amounted to RMB5,692.7 million, RMB11,574.6 million and RMB21,725.0 million (US\$3,487.1 million), respectively. Of our total borrowings as of December 31, 2012, RMB11,782.5 million (US\$1,891.2 million) was due within a period of not more than one year and RMB9,942.5 million (US\$1,595.9 million) was due within a period of more than one year. We cannot assure you that we will be able to obtain bank loans or renew existing credit facilities in the future on terms acceptable to us or at all. Our ability to do so will depend on a number of factors, many of which are beyond our control. The PRC government has in the past implemented a number of policy initiatives in the financial sector to tighten lending requirements in general, such as by increasing the reserve requirement ratio for financial institutions in the PRC from time to time since 2010, and in particular for property developers, which, among other things:

- forbid PRC commercial banks from granting loans to property developers for funding the payments of land grant fees;
- forbid PRC commercial banks from granting loans to a property developer if the property developer's internal funds available are less than 20% of the total estimated capital required for social welfare housing and commodity properties, or less than 30% for other real estate construction project;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land or vacant commodity properties;
- prohibit the grant of new project loans to property developers that leave land parcels idle or are engaged in land speculation;
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- prohibit property developers from financing property developments with loans obtained from banks in regions outside the location of the relevant property developments; and
- restrict PRC commercial banks from providing loans to property developers to develop luxury residential properties.

We cannot assure you that we will have adequate cash flow to service our financing obligations. We have substantial interest obligations for our borrowings, and for the years ended December 31, 2010, 2011 and 2012, our interest expense on borrowings (including the capitalized portion) was RMB366.2 million, RMB932.1 million and RMB1,817.3 million (US\$291.7 million), respectively. As of December 31, 2012, the weighted average effective annual interest rate on our borrowings, on average, was 10.23%. A substantial portion of our borrowings are linked to benchmark lending rates published by the People's Bank of China (the "PBOC"). The PBOC has in the past raised the one-year benchmark lending rate from 5.31% to 5.56% in October 2010 and raised it several more times until it reached 6.56% in July 2011. In view of the risk of a downward trend in the economy, the PBOC then lowered such rate to 6.31% on June 8, 2012 and to 6.00% on July 6, 2012. The PBOC may further raise the benchmark lending rate again in order to control the growth rate of the PRC economy or for other policy objectives. Any increases in interest rates on our bank borrowings, including as a result of interest rate increases by the PBOC, may have a material adverse effect on our financial condition and results of operations.



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

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

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

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

***We may undertake mergers, acquisitions or investments to expand our business that may pose risks to our business or subject us to unknown or contingent liabilities, and we may not realize the anticipated benefits of these mergers, acquisitions or investments***

As part of our growth, we may continue to evaluate opportunities to acquire or invest in other businesses and expand the breadth of markets we can address. For example, we entered into a cooperation framework agreement with Greentown Real Estate Group Co., Ltd. (綠城房地產集團有限公司) (“Greentown Real Estate”) in June 2012, pursuant to which we conditionally agreed to acquire certain equity interests in nine property project companies with operations in Tianjin, Shanghai, Wuxi, Suzhou and Changzhou. We also entered into an equity transfer agreement in December 2012 and an equity and debt transfer agreement in January 2013 with Beijing Vantone, pursuant to which we agreed to acquire a 47% equity interest in TEDA City with operations in Tianjin. Such equity interest acquisition or transfer is subject to registration with the State Administration for Industry and Commerce. We cannot assure you that such registration process will be completed in time or at all. If such registration process cannot be complete in time or at all, we may not realize the anticipated benefits of these transactions which may have a material adverse impact on our financial condition, results of operation and prospect. On March 14, 2013, we, Ying Zi Real Estate, a wholly owned subsidiary of ours, Summer Sky and Shimao entered into a share subscription agreement, pursuant to which Ying

Zi Real Estate has agreed to subscribe for, and Summer Sky has agreed to allot and issue to Ying Zi Real Estate, 49 shares of Summer Sky at the price of HK\$1.00 per share for an aggregate consideration of HK\$49 in cash. On March 16, 2013, we, Greentown China, China Gold and the sole shareholder of China Gold entered into a cooperative framework agreement, pursuant to which we and Greentown China conditionally agreed to acquire through our equally-owned joint venture, and China Gold conditionally agreed to dispose of, the entire issued share capital of Golden Regal, which, through its subsidiaries, has one property development project in Shanghai.

Mergers, acquisitions or investments that we have entered in, and may enter into in the future entail a number of risks that could materially and adversely affect our business, operating and financial results, including, among others, problems integrating the acquired operations into our existing business, diversion of management's time and attention from our existing business, inability to secure adequate funding to finance the acquisition and operations thereafter, requirement for financial resources above our planned investment levels, significant debt incurrence resulting in a higher leverage, failures in recognizing anticipated synergies, difficulties in retaining business relationships with suppliers and customers of the acquired company, risks associated with entering markets in which we lack experience, and potential loss of key employees of the acquired company. Any such acquisition or investment will likely require a significant amount of capital investment, which would decrease the amount of cash available for working capital or capital expenditures. In addition, the targets of our mergers, acquisitions or investments, such as the nine property project companies whose equity interests we conditionally agreed to acquire from Greentown Real Estate, TEDA Group, Shimao and China Gold, may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the then shareholders who owned the targets or the then directors of the targets immediately prior to our mergers, acquisitions or investments. We may not receive any indemnification for such unknown or contingent liabilities, and there is no guarantee that we will recover any amounts with respect to losses due to such unknown or contingent liabilities. Our failure to address these risks successfully may have a material adverse effect on our financial condition and results of operations.

***We face risks relating to the calculation and enforcement of LAT by the PRC tax authorities, which may materially and adversely affect our profitability and cash flow position***

All entities and individuals receiving net profits from the sale or transfer of state-owned land use rights, buildings and their attached facilities are required to pay LAT. LAT is levied at progressive rates from 30% to 60%. Under current regulations, local tax authorities can formulate their own implementation rules relating to LAT settlement. We make provisions for LAT based on our estimates of the full amount of applicable LAT payable in accordance with the requirements set forth in relevant PRC tax laws and regulations, but we only prepay a portion of such provisions each year as required by the local tax authorities. For the years ended December 31, 2010, 2011 and 2012, we made LAT payments in the amount of RMB103.7 million, RMB422.8 million and RMB778.5 million (US\$125.0 million), respectively, and made LAT provisions in the amount of RMB506.5 million, RMB435.0 million and RMB1,132.2 million (US\$181.7 million), respectively. We currently prepay an amount of LAT equal to 2.0% to 5.0% of the proceeds from pre-sales of our properties in the cities in which we operate. The State Administration of Taxation has issued regulations in the past to set minimum prepayment rates as applicable in different regions in China and may raise the prepayment rates from time to time.

There can be no assurance that our LAT prepayments and provisions will be sufficient to cover our LAT liabilities and that the relevant tax authorities will agree with the basis on which we and our subsidiaries and associates calculated our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the PRC government in the future, our business, prospects, financial condition and results of

operations would be materially and adversely affected. There are uncertainties as to when the tax authorities will enforce the LAT collection or whether the LAT collection will be applied retrospectively to properties sold before the effective date of the LAT Notice. These factors could materially and adversely affect our business, prospects, financial condition, results of operations and ability to execute our business plans.

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

Property developers in the PRC must obtain a valid qualification certificate in order to engage in property development in the PRC. Newly established developers must first apply for a temporary qualification certificate, which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Property developers of different grades are subject to different limitations on scale of development in respect of their projects. In reviewing such applications, the relevant authority generally considers the property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the developer's management, and whether the property developer has any illegal or inappropriate operations. Each of our subsidiaries and associates that engages in property development in the PRC is responsible for submitting its own application. 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.

If any one of our companies is unable to meet the relevant requirements for obtaining or renewing its qualification certificate, that company will be given a cure period within which it must rectify any insufficiency or non-compliance with such requirements, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of any qualification certificate and the business license of such company. Our subsidiaries Sunac Zhidi and Chongqing Sunac Jiye Real Estate Development Co., Ltd. ("Chongqing Jiye"), formerly known as Sunac Olympic Garden Real Estate Development Co., Ltd., both failed previously to obtain the Grade I qualification certificate for developing projects with a GFA exceeding 250,000 sq.m., but both of them subsequently successfully applied for and obtained the qualification certificate. We cannot assure you that all of our subsidiaries and associates will be able to pass the annual verification of the qualification certificates or that all of our subsidiaries and associates will be able to obtain formal qualification certificates in a timely manner, or at all, as and when they expire. If any of our subsidiaries and associates is unable to obtain or renew its qualification certificate, such company may not be permitted to continue its operation, which could materially and adversely affect our business, prospects, financial condition and results of operations.

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

As of the date of this offering memorandum, our subsidiaries have become the winning bidder and entered into a confirmation with the relevant land authority for certain land parcels but have not yet obtained the land use right certificates for such land parcels. These land parcels had a total site area of approximately 910,382 sq.m. and a planned aggregate GFA of approximately 2,670,280 sq.m. See "Business – Property Development – Overview of Our Property Development Business." There can be no assurance that we will be able to obtain the land use right certificate with respect to these land parcels in a timely manner, or at all. If we fail to do so, we may not be able to acquire new replacement land on terms acceptable to us, or at all, which would have a material adverse effect on our business, prospects, financial condition and results of operations.

On September 28, 2007, the Ministry of Land and Resources (the "MLR") amended the Regulation on the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-Sale (招標拍賣掛牌出讓國有建設用地使用權規定), effective November 1, 2007. This

regulation provides, among other things, that property developers must pay the relevant land grant fees in full according to the provisions of the relevant land grant contract for all land parcels under the contract before they can receive the land registration and land use right certificates. As a result, effective November 1, 2007, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for land registration and a land use right certificate for the corresponding portion of land in order to commence development, which has been the past practice in many Chinese cities. On November 18, 2009, five government authorities, including the Ministry of Finance and the MLR, issued the Notice on Further Strengthening the Income and Expenditure Management Relating to Land Grants (關於進一步加強土地出讓收支管理的通知) to regulate the management of income and expenditure on land grants and curb excessive increases in land prices. In particular, the notice requires property developers to provide a down payment of no less than 50% of the land grant fee and, generally, to pay the remaining balance in installments within one year. On March 8, 2010, the MLR issued the Notice on Further Increasing the Supply and Strengthening the Supervision of Land for Property Development Purposes (國土資源部關於加強房地產用地供應和監管有關問題的通知), which reiterates and reinforces certain measures on land supply and land use, such as requiring the execution of a land grant contract within ten business days of completing the tender, auction or listing-for-sale process. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period of time. As a result, property developers, including us, are required to maintain a higher level of working capital and may be restricted in their ability to expand their land reserve as planned. In addition, we cannot assure you that the PRC government will not adopt any additional regulations to impose stricter payment terms for land acquisition by property developers. If this occurs, our cash flow position, financial condition or business plans could be materially and adversely affected.

***Increasing competition in the PRC, particularly in the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou, may materially and adversely affect our business, prospects, financial condition and results of operations***

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

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

Our commercial properties are typically large-scale commercial complexes combining retail space, offices, parking facilities and, in some cases, serviced apartments. As of the date of this offering memorandum, six of our projects have a planned aggregate GFA of above one million sq.m. and another seven of our projects have a planned aggregate GFA of between 500,000 sq.m. to one million sq.m. We are exposed to higher risks because of the higher concentration of capital investment in a small number of large-scale property developments. We cannot give any assurance that any of our existing or future large-scale developments will be successful or that any such development will not encounter difficulties that may materially and adversely affect our business, prospects, financial condition and results of operations. Due to the amount of capital required and costs incurred or to be incurred in each development, we are financially exposed and, in the event that any of our existing or future large-scale property developments is unsuccessful, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

Our results of operations have varied significantly in the past and may fluctuate significantly from period to period in the future. For the years ended December 31, 2010, 2011 and 2012, our revenue was RMB6,653.8 million, RMB10,604.0 million and RMB20,842.6 million (US\$3,345.5 million), respectively, and our profit attributable to owners of the company over the same periods was RMB1,542.2 million, RMB2,356.2 million and RMB2,607.3 million (US\$418.5 million), respectively. We recognize proceeds from the sale of a property as revenue only upon the delivery of the property. Therefore, our revenue and profit during any given period reflects the quantity of properties delivered during that period and are significantly affected by any peaks or troughs in our property delivery schedule. Our operating results may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during the relevant period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers at some time in the past, typically at least in the prior fiscal period. As a result, our operating results for any period are not necessarily indicative of results that may be expected for any future period.

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

We hold certain investment properties for lease to commercial tenants. We are required to reassess the fair value of our investment properties upon the completion of any acquisition and on every balance sheet date for which we issue consolidated financial statements. Our valuations are and will be based on market prices or alternative valuation methods, such as discounted cash flow analysis based on estimated future cash flows. In accordance with HKFRSs, we must recognize changes to the fair value of our property as a gain or loss (as applicable) in our income statements. The recognition of any such gain or loss reflects unrealized capital gains or losses on our investment properties on the relevant balance sheet dates and does not generate any actual cash inflow or outflow. For the years ended December 31, 2010, 2011, 2012, we had no change in fair value from valuation of investment properties, a net fair value loss from valuation of investment properties of RMB75.9 million and a net fair value gain from valuation of investment properties of RMB19.0 million, respectively, representing nil, -2.2% and 0.4%, respectively, of our profit before income tax for the respective periods. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. We cannot assure you that the fair value of our investment properties will not decrease in the future. Any decrease in the fair value of our investment properties will have an adverse effect on our profits.

***We may not be able to successfully manage our growth***

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

***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***

Investments in properties, in general, are relatively illiquid compared to many other types of investments. Therefore, our ability to sell one or more of our investment properties in response to changing economic, financial and investment conditions promptly, or at all, is limited. Valuations of investment properties as recorded on our consolidated balance sheet are not a prediction of the actual value we may achieve from such properties in a market transaction. Unforeseen changes relating to the properties, the market conditions or otherwise could significantly affect the value of investment properties. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find a purchaser and to complete the sale of a property currently held or planned to be held for investment purposes. Moreover, should we decide to sell a property subject to a tenancy agreement, we may have to obtain consent from or pay termination fees to our tenant.

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

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

We assist purchasers of properties in obtaining mortgage loans from various domestic banks. In accordance with market practice, domestic banks require us to provide short-term guarantees for these mortgages. Substantially all of these guarantees are discharged upon the earlier of (i) the issuance to the purchasers of the property ownership certificate, which generally takes place within an average period of two to three years after completion of the guarantee registration, and (ii) the satisfaction of obligations under the mortgage loans by the purchasers. If a purchaser defaults under the mortgage loan and the bank calls on the guarantee, we are required to repay all debt owed by the purchaser to the mortgagee bank under the loan, in which case typically the mortgagee bank will assign to us its rights under the loan and the mortgage and we will have full recourse to the property. 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. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgagee banks, which may not be as extensive as credit checks conducted in other jurisdictions. As of December 31, 2010, 2011 and 2012, we had outstanding guarantees for mortgage loans of our purchasers in the amount of RMB3,769.6 million, RMB1,975.7 million and RMB5,124.2 million (US\$822.5 million), respectively.

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

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

As of December 31, 2012, 51.6% of our outstanding shares were beneficially owned by Sun Hongbin, our controlling shareholder and Chairman and Chief Executive Officer. Subject to compliance with applicable laws, by maintaining such ownership, Mr. Sun is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions requiring shareholders' approval and as permitted by the terms and conditions of the Notes, including the election of directors, the amendment of our Articles of Association, the amount and timing of dividends and other distributions, the acquisition of or merger with another company, the sale of all or substantially all of our assets and other significant corporate actions. In addition, Mr. Sun, in his capacity as Chairman and Chief Executive Officer of our Company, is able to exercise substantial control over the management of our business. The strategic goals and interests of Mr. Sun may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. In situations presenting a conflict of interests, we may be prevented from entering into transactions that could be beneficial to us or holders of the Notes. We cannot assure you that Mr. Sun will act in our interests or that conflicts of interests will be resolved in our favor.

In 1995, Mr. Sun established Tianjin Sunco Investment Company Limited, which was engaged in commodity housing development in China, and subsequently established Sunco China and its subsidiaries (collectively, the "Sunco Group"), holding real estate development projects in various cities across the country. In 2003, Mr. Sun directed the Sunco Group to

embark on a rapid expansion strategy in light of developments in the PRC property market and in preparation for the Sunco Group's proposed listing on the Hong Kong Stock Exchange in 2004. As a result, the Sunco Group had rapidly increased its land bank and the pace of construction of its projects, both of which required a large amount of capital. However, due to austerity measures implemented in China in late 2004 leading to a market downturn, among other factors, the Sunco Group's business was adversely affected. Aggravated by an aborted listing plan in late 2004, the Sunco Group's cash flow position deteriorated significantly. This resulted in the Sunco Group's need to raise additional capital to meet its substantial amount of debt obligations and other liabilities in late 2006. Mr. Sun's decision in favor of the Sunco Group's rapid expansion strategy did contribute to the high leverage and tight liquidity of the Sunco Group as a result of the group's adverse cash flow and debt positions. In August 2004, Mr. Sun relinquished his directorship of Sunco China and acted only as its controlling shareholder. The Sunco Group was restructured in 2006 into Sunco A and Sunco B, both held by Sunco China and another company controlled by Mr. Sun, in connection with the disposal of a substantial part of the Sunco Group's assets during the period from 2006 to 2007, while Mr. Sun resumed his directorship of Sunco China in May 2006. In mid 2007, a 94.74% interest in Sunco A was sold to a subsidiary of Road King Infrastructure Limited ("Road King") and other independent third parties. The entire interest in Sunco B was acquired by an independent third party at around the same time, which gave rise to the litigation involving Mr. Sun as described below.

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

In August 1992, Mr. Sun, as a former employee of Beijing Legend Computer Group Co. ("Legend"), was convicted by the Haidian District Court of Beijing Municipality of misappropriation of funds in the amount of RMB130,000. The conviction was later overturned in 2003. According to the court ruling in August 1992, the conviction was based upon the transfers of corporate funds of Legend to a third party by Mr. Sun without due authorization, which took place during the period from May 1989 to October 1989 when Mr. Sun was a manager of Legend. Mr. Sun was sentenced to a five-year term of imprisonment and began to serve his sentence in August 1992. He was later granted remission of sentence and was released in March 1994. In October 2003, upon Mr. Sun's appeal, the retrial court held that the conviction was erroneous and found that Mr. Sun's action did not constitute misappropriation of funds due to the absence of any intent from Mr. Sun to derive any personal gain from, or to benefit the third party with, the transfers of funds. Further, the third party had not obtained Mr. Sun's permission or authorization before using the funds for his own personal use and benefit. It also found that Mr. Sun's intention for such transfers of funds was to streamline Legend's



branch company operations and that Mr. Sun had requested permission from his supervisor at the time before such transfers of funds. Nonetheless, the retrial court affirmed that Mr. Sun's acts were in breach of Legend's internal financial management system. Although Mr. Sun was erroneously convicted 20 years ago and the conviction has been overturned, any negative views or social stigma on Mr. Sun may still persist, which may materially and adversely affect our business, prospects, financial condition and results of operations.

***Our success depends on the continuing efforts of our senior management team and other key personnel, and our business may be harmed if we lose their services***

Our future success depends heavily upon the continuing services of the members of our senior management team. We rely on our senior management team to formulate our business strategies, make decisions on our investment projects and direct the management of our business operations, among other things. Our success has been, to a significant extent, attributable to the continuing efforts and leadership of our senior management team. We may not be able to retain the services of our senior management team or other key personnel, or recruit qualified candidates for new key management positions in the future. If one or more of our key executives are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our business, prospects, financial condition and results of operations may be materially and adversely affected. In addition, if any of our key executives joins a competitor or forms a competing company, we may lose significant business opportunities, customers and professional staff, which may materially and adversely affect our business, prospects, financial condition and results of operations. 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.

***Our business, prospects, financial condition and results of operations may be materially and adversely affected by increases in the cost of labor and construction materials***

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

If we are unable to pass on any increase in the cost of labor and construction materials to either our contractors or our customers, our results of operations may be adversely affected by the cost volatility of labor and construction materials.

***We rely on independent contractors***

We engage independent contractors to provide various services, including construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. Purchases attributable to our construction contractors account for a significant amount of our costs, and for the years ended December 31, 2010, 2011 and 2012, approximately 13.8%, 11.9% and 11.5%, respectively, of our total purchases were attributable to our five largest construction contractors and approximately 5.2%, 3.2% and 2.7%, respectively, of our total purchases were attributable to our largest construction contractor. We generally select contractors through public tenders. We invite selected contractors to tender bids according to their reputation for quality, track record and references, and supervise the construction progress once the contract is awarded. However, we cannot assure you that the services rendered by any of these contractors will always be satisfactory or match our requirements for quality. Moreover, although we have not experienced any material problems of delay or incompleteness, we cannot assure you that our properties under development or properties held for future development will be completed on time, or at all. If our contractors cannot deliver satisfactory services due to financial or other difficulties, we might incur additional costs and suffer reputational harm, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

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

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

- delays in obtaining licenses, permits or approvals as required by government authorities;
- changes in government policies or in applicable laws or regulations;
- delays in or increased costs of relocation of existing site occupants or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- disputes with or delays caused by our contractors or sub-contractors;
- delays in the construction of supporting infrastructure or completing land clearing work by the local government authorities;
- adverse weather conditions and natural disasters, including earthquakes, ice storms and other natural hazards;
- changes in market conditions;
- unforeseen engineering, design, environmental, structural or geographic problems;

- discovery of historic and cultural relics in the construction site; and
- widespread diseases or epidemics, including Severe Acute Respiratory Syndrome, H5N1 flu, H1N1 flu and other diseases.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may result in increased costs, harm to our reputation, loss of or delay in recognizing revenues and lower returns. If a pre-sold property development is not completed on time, the purchasers of the pre-sold units may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may even be entitled to terminate the pre-sale agreements and claim damages. We cannot assure you that we will not experience any significant delays in completion or delivery in the future or that we will not be subject to any liabilities for any such delays. There can be no assurance that we will not experience any delays or other issues with respect to any of our projects. Any of these may disrupt our project schedules and result in violation of the applicable land regulations or a breach of the relevant land grant contracts, which could materially and adversely affect our business, prospects, financial condition and results of operations and subject us to various penalties, including forfeiture of land.

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

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

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

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

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), all property development companies in the PRC must provide certain quality warranties for the properties they 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 be liable to our customers for damages if we fail to assist our customers in obtaining individual property ownership certificates in a timely manner***

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

***We are exposed to risks relating to the pre-sale of properties, and changes in laws and regulations with respect to the pre-sale of properties may materially and adversely affect our business, prospects, financial condition and results of operations***

We depend on proceeds from the pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence the pre-sale of the relevant properties and may use pre-sale proceeds only to finance the development of such properties. Changes in such laws and regulations which restrict or ban the pre-sale of properties, such as imposing additional conditions for obtaining a pre-sale permit or further restrictions on the use of pre-sale proceeds, may materially and adversely affect our cash flows and require us to obtain alternative sources of funding for our business. Failure to obtain alternative funding at a low cost, or at all, may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, under current PRC laws and regulations and pursuant to pre-sale contracts entered into with purchasers of our properties, we are liable for potential breaches of the terms of the pre-sale contracts. For example, if we fail to complete a property that we have pre-sold by the agreed delivery time, we will typically be liable to the purchasers for their losses and such purchasers may seek compensation for late delivery pursuant to the pre-sale contracts or PRC laws and regulations. If our delay extends beyond a specified period, the purchasers may terminate the pre-sale contracts and claim for damages. Unless otherwise provided for in the pre-sale contract, a purchaser may also terminate a pre-sale 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 the pre-sale contract. We cannot assure you of the timely completion or delivery of our projects. If a substantial number of purchasers claim against us for breach of contract or terminate their pre-sale contracts with us, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

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

In January 2010, we were involved in the arbitration of certain claims arising from the transfer of a 50% equity interest in Sunac Hengji from Sunco Land (Beijing) Real Estate Development Co., Ltd. ("Sunco Land") to our subsidiary Sunac Zhidi in 2007. As consideration for such transfer, we agreed to pay 50% of our share of the dividends distributable from the Sunac East Fairyland project to Sunco Land. Subsequently there was a dispute between Sunco Land and us with regard to the amount of dividends we should pay to Sunco Land and, as a result, Sunco Land initiated the arbitration claim against us. While Sunco Land has subsequently withdrawn the arbitration, Sunac Zhidi and Sunco Land have sought to resolve the disputes with the mediation support of a working group of the Tianjin Municipality and have finally settled the disputes. We cannot assure you that no other claims or disputes beyond our normal course of business or otherwise will be brought against us in the future. As a result of any such claims or disputes, our management's attention to our business and our reputation may be adversely affected and we may incur substantial liabilities and costs, which may materially and adversely affect our business, prospects, financial condition and results of operations.

***Failure to comply with laws, regulations and rules applicable to us as a listed company in Hong Kong could lead to regulatory investigations and result in disciplinary actions and penalty against us or our directors and senior management***

We as a listed company in Hong Kong and our directors and senior management are subject to various continuing obligations under applicable laws, rules and regulations (including the Listing Rules of the Hong Kong Stock Exchange and the Securities and Futures Ordinance), such as obligations relating to, among others, disclosure of price-sensitive information, connected transactions and notifiable transactions. Failure to comply with any of these applicable laws, rules and regulations (including the Listing Rules of the Hong Kong Stock Exchange and the Securities and Futures Ordinance) may subject us and/or our directors and senior management to regulatory investigations or proceedings and, if such investigations lead to rulings or findings made against us and/or our directors and senior management, may lead to imposition of sanctions and/or disciplinary actions by the regulators against them. Although certain instance of our non-compliance with the Listing Rules in connection with the release of certain price sensitive information has been resolved with no disciplinary action imposed, we cannot assure you that investigations, sanctions and/or disciplinary actions resulting from other possible non-compliance(s) of the applicable laws, rules and regulations by us and/or our directors and senior management may not negatively affect our business and reputation, as well as investor confidence and the market price of the Notes.

As a listed company in Hong Kong, we and our directors are also subject to the regulatory oversight of the Securities and Futures Commission (the "SFC") and are required to comply with applicable legal provisions and codes other than the Listing Rules of the Hong Kong Stock Exchange. In case of any violation of the Securities and Futures Ordinance or other regulatory requirements, the SFC and courts in Hong Kong have broad powers to make a wide range of orders or directions. These include orders requiring us or our directors to carry out, or refrain from, certain acts, as well as directions that may affect the continual trading in, or the listing status of, our shares. Any adverse action may have a material adverse impact on our business and your investment.

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

We believe our brand, trademarks and other intellectual property rights are integral to our success. Our brand has gained significant recognition in the PRC and we have received several industry awards. We believe the success of our business depends in part on our continued ability to use and promote our brand and trademarks. As of December 31, 2012, our Company and our subsidiaries had registered 251 trademarks. While we have applied for registration of additional trademarks in the PRC and Hong Kong, some of these applications have been challenged and we cannot assure you that all of our applications for trademark registration will be approved by the relevant authorities. We have licensed to two commercial property management companies that were previously owned by Sunac Property Management the right to use certain of our trademarks. While we rely on the intellectual property laws in the PRC to protect our intellectual property, any unauthorized use of such intellectual property could adversely affect our business and reputation. 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. Moreover, monitoring and preventing the unauthorized use of our intellectual property is difficult. The measures we take to protect our brand, trademarks and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. Any litigation or dispute in relation to our trade names or trademarks could result in substantial costs and the diversion of resources. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving and if we are unable to adequately protect our brand, trademarks and other intellectual property, we may lose these rights and our business, prospects, financial condition and results of operations may suffer materially.

***Potential liability for environmental problems could result in substantial costs***

We are subject to a variety of laws and regulations concerning the protection of the environment and public health. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition and the present and former uses of the site and adjoining properties. Environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas. In addition, under PRC law, each of our projects is required to undergo environmental assessments, and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before the commencement of construction. Failure to obtain such approval prior to construction may result in suspension of construction and a penalty amounting to RMB50,000 to RMB200,000 for each project. We cannot assure you that we will satisfy the environmental assessments for each, or any, of our projects in the future. Although the environmental investigations conducted to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities, or that there are material environmental liabilities of which we are unaware. See "Business – Environmental Matters."

## Risks Relating to Our Group Structure

*Disputes with other shareholders in our non-wholly owned subsidiaries or associates may materially and adversely affect our business, prospects, financial condition and results of operations*

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

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

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

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

Our Company is a holding company incorporated in the Cayman Islands and our core business operations are conducted through certain operating subsidiaries and associates in the PRC. These operating companies are either wholly foreign-owned entities indirectly held by us or companies directly or indirectly held by our wholly foreign-owned entities. Under PRC regulations, foreign-invested companies in the PRC, including wholly foreign-owned entities, may distribute after-tax profits to their shareholders only after they have made appropriate contributions to the relevant statutory funds. For each of our wholly foreign-owned entities, after-tax profits may not be distributed to our Company unless such wholly foreign-owned entity has already contributed to its staff and workers' bonus and welfare fund at a percentage that is decided by its board of directors and to its reserve fund at a rate of no less than 10% of its net profit. Each of our wholly foreign-owned entities is required to continue making contributions to its reserve fund until such fund reaches 50% of its registered capital. The reserve fund is not distributable as cash dividends. Furthermore, restrictive covenants in bank credit facilities, joint venture agreements or other agreements that we may enter into in the future may also restrict the ability of our wholly or partially owned companies to pay dividend or make other distributions to us. These restrictions could reduce the amounts of distributions that our Company receives from our operating subsidiaries or associates, which would restrict our ability to fund our operations, generate income and pay interest.

***We may be deemed a PRC resident enterprise under the PRC Corporate Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Notes and require holders of the Notes to pay taxes on gains realized from the sale of the Notes***

We are a Cayman Islands holding company with substantially all of our operations conducted through our operating subsidiaries and associates in China. Under the PRC Corporate Income Tax Law (中華人民共和國企業所得稅法), enterprises organized under the laws of a jurisdiction outside China with their “de facto management bodies” located in China may be considered PRC resident enterprises and be subject to PRC corporate income tax at a rate of 25% on their worldwide income. Under the implementation rules of the PRC Corporate Income Tax Law, “de facto management bodies” are defined as the bodies that have material and overall management and control over the production, business, personnel, accounts and properties of the enterprise. As a majority of the members of our management team are based in China, we may be treated as a PRC resident enterprise for corporate income tax purposes and be subject to corporate income tax at the rate of 25% on our worldwide income (possibly excluding dividends received from our PRC subsidiaries). The tax consequences of such treatment are currently unclear, as they will depend on how local tax authorities apply or enforce the PRC Corporate Income Tax Law and its implementation rules. In addition, if we are treated as a PRC resident enterprise, we would be obligated to withhold PRC income tax at a rate of 10% on payments of interest and possibly any premium on the Notes to investors that are non-resident enterprises, or at a rate of 20% on payments to investors that are non-resident individuals, or at lower rates for investors who qualify for the benefits of a tax treaty with the PRC, if such income were regarded as being derived from sources within the PRC. If we fail to make proper withholdings, we may be subject to fines and other penalties. If we are treated as a PRC resident enterprise, any gain realized by a non-resident investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to a 10% PRC tax for non-resident enterprise investors or a 20% PRC tax for non-resident individuals. We currently take the position that we are not a PRC resident enterprise, but there can be no assurance that the relevant PRC tax authorities will accept our position.

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



*Under PRC regulations, we will not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of interest, or even principal, under the Notes*

According to current PRC laws and regulations, loans from foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt and must be registered with the relevant local branches of the State Administration of Foreign Exchange (“SAFE”). Such laws and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. In addition, in July 2007, SAFE issued a circular indicating that it would not process any foreign debt registration or settlement of foreign exchange for foreign debt for foreign-invested real estate enterprises that obtained approval certificates from and registered with the Ministry of Commerce (“MOFCOM”) on or after July 1, 2007. Therefore, the proceeds of the current offering that will be used for land acquisitions and property developments in China may only be transferred to our PRC subsidiaries as equity investments and not as loans. Without having the flexibility to transfer funds to and from our PRC subsidiaries in the form of loans and interest or loan repayments, respectively, we cannot assure you that sufficient dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes.

#### **Risks Relating to Property Development in the PRC**

*The PRC government has adopted measures to slow down the property development sector’s rate of growth and may continue to do so in the future*

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

- requiring a minimum down payment of 30% of the purchase price of a property for purchases of the first residential property and requiring all commercial banks in China to suspend mortgage loans for purchases of the third residential property and beyond;
- increasing the minimum down payment for purchases of a second residential property to 60% of the purchase price and requiring the interest rate for mortgage loans for a second residential property to be not lower than 110% of the PBOC benchmark lending rate;
- requiring municipal or local governments, including in Beijing, Tianjin, Shanghai, Wuxi, Suzhou, Chongqing and Hangzhou to promulgate regulations to provide that (i) local families who own one residential property and can provide local tax or social insurance records for a certain number of years may, in principle, purchase a second residential property; and (ii) local families who own two residential properties or more, non-local families who own one residential property or more, and non-local families who are unable to provide local tax or social insurance records for a certain number of years shall be temporarily prohibited from purchasing any residential property in the local area;

- for a commercial property buyer, (i) prohibiting banks from financing any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- requiring property developers to provide a down payment of no less than 50% of the land grant fee and, generally, requiring them to pay the remaining balance in installments within one year;
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years;
- imposing a ban on onward transfer of uncompleted properties;
- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and canceling the land use right for land being idle for two years or more;
- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons;
- revoking the approvals for projects not in compliance with the planning permits;
- banning the land grant for villa construction and restricting the land provision for high-end residential property construction;
- imposing property tax that residential property owners have to pay based on the value of such property in selected cities including Chongqing and Shanghai;
- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;
- adopting the "70/90 rule" which requires at least 70% of the total GFA of a residential project approved or constructed on or after June 1, 2006 consist of units with a GFA of less than 90 sq.m. per unit;
- requiring that the individual income taxes from the sale of property shall be levied at 20% of the gain from the sale, if the tax basis of the property can be verified; and
- barring non-local residents who possess one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates from purchasing any residential properties located in the administrative area they reside.

For more information on the regulatory measures relating to the property sector, see “Regulation.” We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. Restrictive government policies and measures could materially and adversely affect our business, prospects, financial condition and results of operations, such as by limiting our access to capital, reducing consumer demand for our properties and increasing our operating costs. They may also lead to changes in market conditions, including price instability and imbalance of supply and demand in respect of office, residential, retail, entertainment and cultural properties, which may materially and adversely affect our business, prospects, financial condition and results of operations.

***Our business is subject to extensive governmental regulation***

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

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

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

A vast majority of our property purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of properties. The PBOC recently raised the one-year benchmark lending rate from 5.31% to 5.56% in October 2010, and further to 5.81% in December 2010, 6.06% in February 2011, 6.31% in April 2011 and 6.56% in July 2011. In view of the risk of a downward trend in the economy, the PBOC then lowered such rate to 6.31% on June 8, 2012 and to 6.00% on July 6, 2012. However, the PBOC may raise lending rates again in the future, which will increase the cost of mortgage financing for our potential customers, and as a result, we may experience less demand for our properties. In addition, the PRC government and commercial banks may further increase the down payment requirements, impose other conditions or otherwise change the regulatory framework or lending policies in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Since September 2007, for second-time home buyers that use mortgage financing, the PRC government has increased the minimum down payment to 40% of the purchase price, and further increased the minimum down payment to 50% in April 2010 and 60% in January 2011, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate. The minimum down payment for commercial property buyers has increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate and maximum maturities of no more than ten years. In May 2010, the Ministry of Housing and Urban-Rural Development ("MOHURD," previously the Ministry of

Construction), PBOC and the China Banking Regulatory Commission (the “CBRC”) jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser’s spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans. According to a notice jointly issued by PBOC and CBRC on September 29, 2010, the minimum down payment has been raised to 30% for all first home purchases, and commercial banks are required to suspend mortgage loans for purchases of a customer’s third or subsequent residential properties. See “Regulation – Transfer and Sale of Property – Financing property development and acquisition.” In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower’s monthly income or if the total debt service of the individual borrower would exceed 55% of such individual’s monthly income. In October 2011, a number of PRC domestic banks raised the mortgage rates for first-time home buyers by a minimum of 5%. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, prospects, financial condition and results of operations could be materially and adversely affected.

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.

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

Private ownership of real estate properties in the PRC is still in a relatively early stage of development. Although the property market in the PRC had generally grown rapidly in the years prior to 2008 primarily due to the significant underlying demand for private residential and commercial properties, such growth is often coupled with volatility in market conditions and fluctuation in property prices. Despite the recent improvement in the market conditions of the property sector in the PRC in 2009 and 2010, it is not possible to predict whether property demand in the PRC will grow in the future, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by the relatively limited availability of accurate financial and market information as well as the relatively low level of transparency in the PRC.

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

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

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

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

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to the payment of fees, designated use of land, amount of GFA developed, time for commencement and completion or suspension of the development, and amount of capital invested), the relevant government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. In 2008, the State Council issued a notice which requires, among others, that land use rights be strictly revoked for land parcels left idle for two years or more and that an idle land fee be imposed at 20% of the land transfer or grant price for land parcels left idle for one to two years. 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 in 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. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period. See also “Business – Property Development – Description of Our Property Development Projects – Chongqing – Sunac Asia Pacific Enterprise Valley” for information relating to the late payment of land grant fee by Chongqing Sunac Yatai Shiye Real Estate Development Co., Ltd. (重慶融創亞太實業有限公司) (“Chongqing Yatai”), formerly known as Chongqing Yuneng Sunac Real Estate Co., Ltd., in the past. However, we cannot assure you that any circumstances leading to the forfeiture of land or imposition of a penalty may not arise in the future. If we and our subsidiaries and associates are required to forfeit land, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the forfeited land or recover the development costs and other costs incurred up to the date of forfeiture. Any requirement that we pay idle land fees or other related penalties may materially and adversely affect our business, prospects, financial condition and results of operations.

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

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

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

If any of the land parcels we acquire in the future have existing buildings or structures or are occupied by third parties, we may be responsible for paying resettlement costs prior to developing the land. In accordance with the Regulation on the Expropriation of Buildings on State-owned Land and Compensation (國有土地上房屋徵收與補償條例), which was promulgated by the State Council on January 21, 2011 and became effective on the same day, municipal and county governments are responsible for, and have the right to set up housing expropriation departments to organize and carry out, the expropriation of and compensation for housing in their administrative regions. The amount of compensation for the housing being expropriated shall not be less than the fair market price of housing similar to the housing being expropriated on the announcement date of the housing expropriation decision. The housing being expropriated shall be appraised by a real estate appraisal institution with relevant qualification according to applicable housing expropriation appraisal measures. In addition, a party that objects to the appraisal value of the housing being expropriated may request the real estate appraisal institution to review the appraisal result. A party that objects to the review result, may apply to the real estate appraisal expert committee for authentication of the appraisal value. The appraisal and related review and authentication procedures may delay the timetable of our projects or result in higher compensation costs than originally anticipated. Such delays will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects, which may in turn materially and adversely affect our business, prospects, financial condition and results of operations.

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

We are subject to property market conditions in the PRC generally and, in particular, in Beijing, Tianjin, Shanghai, Wuxi, Suzhou, Changzhou, Chongqing and Hangzhou. 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. 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

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

China has been one of the world's fastest growing major economies as measured by GDP in recent years. However, China's real GDP growth has slowed down from 14.2% in 2007 to 7.8% in 2012 and we cannot assure you that China will be able to sustain its growth rate. If the Chinese economy experiences a further slowdown in growth or a downturn, property demand may decline and our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

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

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



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

As substantially all of our businesses are conducted and substantially all of our assets are located in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, the interpretation of PRC laws and regulations involves uncertainty. Depending on the way an application or case is presented to a government agent and on the government agent itself, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

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

***Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on our business and on your investment***

The exchange rates between the Renminbi and the U.S. dollar or other 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 foreign exchange policy to pegging the value of the Renminbi to a basket of currencies, determined by the PBOC, against which it may rise or fall by a stated maximum percentage amount each day. This change in policy has allowed the value of the Renminbi to appreciate significantly against the U.S. dollar. Effective April 16, 2012, this trading band has been widened from 0.5% to 1%, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currency. There remains significant international pressure on the PRC government to adopt a more flexible currency policy. See "Exchange Rate Information."

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

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

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

Substantially all of our revenue 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 certain 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 bank 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.

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

Natural disasters, severe weather conditions, epidemics, acts of war and political unrest, which are beyond our control, may materially and adversely affect the economy of the PRC and the cities in which we operate. Some areas in the PRC are under the threat of earthquakes, ice storms, floods, sandstorms, droughts or other natural disasters. For instance, in May 2008, a high-magnitude earthquake occurred in Sichuan Province and certain other areas of China. These disasters may cause significant casualties and loss of properties and any of our operations in the affected areas could be adversely affected. If similar or other inclement weather or climatic conditions or natural disasters occur, our operations may be hampered, which could result in an adverse impact on our business, results of operations and financial condition. In addition, certain areas of China are susceptible to epidemics such as Severe Acute Respiratory Syndrome ("SARS"), H5N1 flu or H1N1 flu. A recurrence of SARS or an outbreak of H5N1 flu, H1N1 flu or any other epidemics in China in general or in our target cities could result in material disruptions to our property developments, which in turn may materially and adversely affect our business, prospects, financial condition and results of operations. Political unrest, acts of war and terrorism may also cause disruption to our business and markets, injure our

employees, cause loss of lives or damage our properties, any of which could materially impact our sales, costs, overall financial condition and results of operations. The potential for wars or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, prospects, financial condition and results of operations may as a result be materially and adversely affected.

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

Facts, forecasts and other statistics in this offering memorandum relating to the PRC, the PRC economy, the PRC property sector and other areas have been derived from, among other sources, various PRC government publications. We cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Initial Purchasers or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between government publications and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

#### **Risks Relating to the Notes and this Offering**

***We are a holding company and payments with respect to the Notes are effectively subordinated to certain 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 and certain offshore subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain other non-guarantor subsidiaries. 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 any intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries (being our current and future PRC subsidiaries and certain offshore 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 December 31, 2012, our PRC subsidiaries had bank and other loans in the amount of RMB19,265.6 million (US\$3,092.3 million), capital commitments in the amount of approximately RMB32,504.8 million (US\$5,217.4 million), and contingent liabilities arising from guarantees in the amount of RMB5,124.2 million (US\$822.5 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.

Under the terms of the Notes, a limited-recourse guarantee, or JV Subsidiary Guarantee, may be provided in lieu of a Subsidiary Guarantee following our sale or issuance to a third party of a 20% to 49.9% equity interest in a subsidiary or following our purchase of a 50.1% to 80.0% equity interest in a third party (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 Collateral Agent or 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.

Pursuant to the terms of the Indenture, certain of our offshore subsidiaries, including our joint venture company with Greentown China, will not provide any Subsidiary Guarantee or JV Subsidiary Guarantee, if the consolidated assets of these subsidiaries (other than our joint venture company with Greentown China) do not account for more than 25.0% of our total assets. These offshore subsidiaries are in turn permitted under the terms of the Indenture to incur a substantial amount of indebtedness, secured or otherwise. As such, our payment obligations under the Notes and the Subsidiary Guarantees will be subordinated to the payment obligations under such indebtedness.

***The Notes may become unsecured obligations.***

According to the Indenture, the share charges over the shares of the Subsidiary Guarantors may be released upon satisfaction of certain conditions, including when the 2012 Notes have been repaid. As such our Notes may become unsecured obligations, their repayment may therefore be compromised if:

- we enter into bankruptcy, liquidation, reorganization or other winding-up proceeding;
- there is a default in payment under our secured or unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of these events occur, our assets may not be sufficient to pay amounts due on the Notes or on the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors.

***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. In addition, we, including our Non-Guarantor Subsidiaries, may from time to time incur substantial additional indebtedness. See “– Risks Relating to Our Business – We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations.” Although the Indenture limits us and our subsidiaries and associates from incurring additional debt, these limitations are subject to important exceptions and qualifications. If we or our subsidiaries and associates incur additional debt, the risks that we and our subsidiaries and associates face as a result of such indebtedness and leverage could intensify. The amount of our indebtedness could have important consequences to 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 us 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 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 a “Permitted Business” as defined in the Indenture;
- 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 and the indenture for the 2012 Notes, 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 and the 2012 Notes, or result in a default under our other debt agreements, including the Indenture and the indenture for the 2012 Notes. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

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

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 and associates to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries and associates 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 or associates 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 and associates, 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 HKFRSs in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries and associates 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, dividends 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 withholding tax rate may be lowered to 5%. However, according to current PRC tax regulations, an approval from the local tax authority is required in order to benefit from the 5% withholding

tax rate and such lower rate will be denied to “conduit” or shell companies without business substance. As a result, there could be restrictions, including timing limitations, on payments from our PRC subsidiaries and associates to meet payments required by the Notes, to 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 to redeem the Notes for any early redemption.

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

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

In light of land prices, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing property developments jointly with other property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indenture. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications. Under the terms of the Indenture, we are permitted to make investments in Unrestricted Subsidiaries or make minority investments for so long as the aggregate amount of all such investments does not exceed at such time 30% of our total assets. We cannot assure you that any of these investments will result in any profit. We may lose the total value of all these investments. See the definition of “Permitted Investments” in “Description of the Notes.”

***We may not be able to repurchase the Notes and the 2012 Notes upon a Change of Control Triggering Event***

We must offer to purchase the Notes and the 2012 Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See “Description of the Notes – Repurchase of Notes Upon a Change of Control Triggering Event,” and “Description of other Material Indebtedness – 2012 Notes.”

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

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

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

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

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

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

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

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

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

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

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

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenue, 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 HKFRSs, which differ in certain respects from generally accepted accounting principles in other jurisdictions, including the United States, 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 Subsidiary Guarantees have not been registered under, and we are not obligated to register the Notes or the Subsidiary Guarantees 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 Subsidiary Guarantees (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 representing the 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 the Notes. The common depository 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 or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the 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 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 with respect to all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See “Description of the Notes – Book-Entry; Delivery and Form.”

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

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of PRC or their future PRC or non-PRC subsidiaries, and certain offshore subsidiaries, the aggregate Consolidated Assets of which (other than our joint venture company with Greentown China) do not exceed 25.0% of Total Assets, 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 and such offshore 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 and such offshore 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 and this Offering – We are a holding company and payments with respect to the Notes are effectively subordinated to certain liabilities, contingent liabilities and obligations of our subsidiaries.”

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, or a purchase from, a third party of a minority interest in such subsidiary or 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 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 pledge of certain Collateral may be released under certain circumstances***

The Collateral may be released at any time after the later of (i) 183 days after repayment in full of all amounts owing by the Company or any Subsidiary Guarantors or JV Subsidiary Guarantors under the 2012 Notes and (ii) the date on which no outstanding Indebtedness other than the Notes is secured by the Collateral; *provided* that, no Default has occurred and is continuing on such date or no Default would have occurred as a result of such release.

In addition, 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 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 Collateral Agent or 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 Collateral Agent or the Trustee or holders of the Notes will be able to enforce the security interest.

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

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

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

The Collateral Agent (as defined under “Description of the Notes – Definitions”) is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes, the holders of the 2012 Notes and holders (or representatives or agents) of other Permitted *Pari Passu* Secured Indebtedness (as defined under “Description of the Notes – Definitions”), given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect the Company’s entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company’s ability to fulfill its payment obligations under the Notes. Further, the Subsidiary Guarantors’ ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders of the Notes holding 25% of the outstanding amount of the Notes and holders, creditors or representatives of the 2012 Notes and other Permitted *Pari Passu* Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee, representative or agent, in accordance with the Intercreditor Agreement, instruct the Collateral Agent to take enforcement action against the Collateral. By virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes and the Subsidiary Guarantees.

The Collateral 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 Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the Notes. The Collateral 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 or the 2012 Notes unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral against any loss, liability or expense.

## **USE OF PROCEEDS**

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$491.5 million. We intend to use a substantial portion of the net proceeds for refinancing our existing indebtedness and the remainder for general corporate purposes.

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

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

## EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The value of the Renminbi against the U.S. dollar appreciated on the same day by approximately 2% and has since appreciated significantly in general. The PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On May 18, 2007, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was to be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. Effective April 16, 2012, this trading band has been widened to 1%, which allows the Renminbi to fluctuate against the U.S. dollar by up to 1% above or below the central parity rate published by the PBOC. The PRC government may from time to time make further adjustments to the exchange rate system in the future.

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

Period	Noon buying rate			
	Period end	Average <sup>(1)</sup>	Low	High
RMB per US\$1.00				
2008.....	6.8225	6.9193	6.7800	7.2946
2009.....	6.8259	6.8295	6.8176	6.8470
2010.....	6.6000	6.7603	6.6000	6.8330
2011.....	6.2939	6.4475	6.2939	6.6364
2012.....	6.2301	6.2990	6.2221	6.3879
September .....	6.2848	6.3200	6.2848	6.3489
October .....	6.2372	6.2627	6.2372	6.2877
November .....	6.2265	6.2338	6.2221	6.2454
December.....	6.2301	6.2328	6.2251	6.2502
2013				
January .....	6.2186	6.2215	6.2134	6.2303
February .....	6.2213	6.2323	6.2213	6.2438
March (through March 22, 2013)....	6.2120	6.2165	6.2117	6.2246

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

On March 22, 2013, the noon buying rate for U.S. dollars in New York City for cable transfers in Renminbi was RMB6.2120 to US\$1.00 as certified for customs purposes by the Federal Reserve Bank of New York.



## CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated current borrowings and capitalization as of December 31, 2012:

- on an actual basis;
- on an adjusted basis to give effect to the issuance of the Subscription Shares; and
- as further adjusted to give effect to the issuance of the Notes and receipt of the net proceeds from this offering after deducting the underwriting discounts and commissions and other estimated expenses relating to this offering payable by us.

You should read this table in conjunction with our consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this offering memorandum.

	As of December 31, 2012					
	Actual		As adjusted for the Subscription Shares		As further adjusted for the Notes	
	(RMB'000)	(US\$'000) (unaudited)	(RMB'000) (unaudited)	(US\$'000) (unaudited)	(RMB'000) (unaudited)	(US\$'000) (unaudited)
<b>Current borrowings</b>						
Borrowings <sup>(1)</sup> .....	4,454,497	714,996	4,454,497	714,996	4,454,497	714,996
Current portion of long-term borrowings .....	7,328,050	1,176,233	7,328,050	1,176,233	7,328,050	1,176,233
Total current borrowings .	<u>11,782,547</u>	<u>1,891,229</u>	<u>11,782,547</u>	<u>1,891,229</u>	<u>11,782,547</u>	<u>1,891,229</u>
<b>Non-current borrowings</b>						
Borrowings <sup>(2)</sup> .....	14,811,140	2,377,352	14,811,140	2,377,352	14,811,140	2,377,352
2012 Notes .....	2,459,390	394,759	2,459,390	394,759	2,459,390	394,759
Notes to be issued.....	-	-	-	-	3,062,094	491,500
Less: Current portion of long-term borrowings ..	<u>(7,328,050)</u>	<u>(1,176,233)</u>	<u>(7,328,050)</u>	<u>(1,176,233)</u>	<u>(7,328,050)</u>	<u>(1,176,233)</u>
Total non-current borrowings.....	<u>9,942,480</u>	<u>1,595,878</u>	<u>9,942,480</u>	<u>1,595,878</u>	<u>13,004,574</u>	<u>2,087,378</u>
<b>Equity</b>						
Ordinary shares .....	260,341	41,787	284,635	45,687	284,635	45,687
Reserves.....	<u>9,228,671</u>	<u>1,481,304</u>	<u>10,822,928</u>	<u>1,737,200</u>	<u>10,822,928</u>	<u>1,737,200</u>
Equity attributable to owners of the Company.....	<u>9,489,012</u>	<u>1,523,091</u>	<u>11,107,563</u>	<u>1,782,887</u>	<u>11,107,563</u>	<u>1,782,887</u>
<b>Total capitalization<sup>(3)</sup>....</b>	<u>19,431,492</u>	<u>3,118,969</u>	<u>21,050,043</u>	<u>3,378,765</u>	<u>24,112,137</u>	<u>3,870,265</u>

*Notes:*

- (1) Of this amount, RMB2,055.7 million (US\$330.0 million) was secured.
- (2) Includes current and non-current portions of long-term borrowings, all of which were secured.
- (3) Total capitalization equals total non-current borrowings plus equity attributable to owners of the Company.

As of December 31, 2012, our total cash and cash equivalents (excluding restricted cash of RMB3,868.7 million (US\$621.0 million)) amounted to RMB8,394.0 million (US\$1,347.3 million).

As of December 31, 2012, our total outstanding borrowings amounted to RMB21,725.0 million (US\$3,487.1 million). We continue to enter into short-term and long-term borrowings in the ordinary course of business, including construction and project loans, to finance our operations. As of March 22, 2013, our total outstanding borrowings amounted to RMB22,103.1 million, consisting of current borrowings of RMB9,318.1 million and non-current borrowings of RMB12,785.0 million.

Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization since December 31, 2012.

## SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated income statement data for the years ended December 31, 2010, 2011 and 2012 and the selected consolidated balance sheet data as of December 31, 2010, 2011 and 2012 below have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum. You should read the selected financial data below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period. Our consolidated financial statements have been prepared and presented in accordance with HKFRSs, which differ in certain respects from generally accepted accounting principles in other jurisdictions.

	For the year ended December 31,			
	2010 <sup>(1)</sup>	2011	2012	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(unaudited)
<b>Consolidated income statement data:</b>				
Revenue.....	6,653,759	10,604,047	20,842,592	3,345,467
Cost of sales.....	(3,775,608)	(7,037,574)	(15,460,142)	(2,481,524)
<b>Gross profit</b> .....	<b>2,878,151</b>	<b>3,566,473</b>	<b>5,382,450</b>	<b>863,943</b>
Gains from business combination.....	–	835,430	154,916	24,866
Selling and marketing costs.....	(108,799)	(314,090)	(529,959)	(85,064)
Administrative expenses.....	(155,819)	(301,079)	(354,540)	(56,908)
Other (losses)/gains, net.....	–	(75,900)	20,467	3,285
Other income.....	24,411	18,316	15,849	2,544
Other expenses.....	(1,840)	(7,540)	(1,894)	(304)
<b>Operating profit</b> .....	<b>2,636,104</b>	<b>3,721,610</b>	<b>4,687,289</b>	<b>752,362</b>
Finance income.....	18,504	18,687	29,168	4,682
Finance costs.....	(186,756)	(202,030)	(113,101)	(18,154)
Share of profit/(loss) of jointly controlled entities.....	49,828	97	(30,438)	(4,886)
Share of profit/(loss) of associates.....	79,443	(10,072)	(8,347)	(1,340)
Gains from acquisition of associates.....	–	–	119,957	19,254
<b>Profit before income tax</b> .....	<b>2,597,123</b>	<b>3,528,292</b>	<b>4,684,528</b>	<b>751,919</b>
Income tax expenses.....	(1,056,132)	(1,145,220)	(2,069,788)	(332,224)
<b>Profit for the year</b> .....	<b>1,540,991</b>	<b>2,383,072</b>	<b>2,614,740</b>	<b>419,695</b>
<b>Attributable to:</b>				
Owners of the Company.....	1,542,161	2,356,168	2,607,300	418,501
Non-controlling interests.....	(1,170)	26,904	7,440	1,194
	<b>1,540,991</b>	<b>2,383,072</b>	<b>2,614,740</b>	<b>419,695</b>
Dividends <sup>(2)</sup> .....	191,182	235,617	260,730	41,850
<b>Other financial data (unaudited):</b>				
EBITDA <sup>(3)</sup> .....	2,907,446	3,801,487	6,113,098	981,220
EBITDA margin <sup>(4)</sup> .....	43.7%	35.8%	29.3%	29.3%

- (1) The interest income for the year ended December 31, 2010 have been reclassified from “Other Income” to “Finance cost, net,” to conform with the presentation in the audited consolidated financial statements for the years ended December 31, 2011 and 2012.
- (2) Dividends represent the proposed final dividend in respect of such fiscal year. For the year ended December 31, 2012, our board of directors proposed to declare a final dividend of approximately RMB260.7 million, which is expected to be paid on August 8, 2013, subject to shareholders’ approval.
- (3) EBITDA consists of profit for the year before finance costs (including capitalized finance cost, under cost of sales), income tax expenses, net other gain or loss, gains from business combination, gains from acquisition of associates, share of loss of associates, share of profit or loss of jointly controlled entities, depreciation, amortization of intangible assets and share option expenses, amortization of valuation surplus of acquired properties and non-controlling interests. EBITDA is not a standard measure under HKFRSs. 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 identical to EBITDA measures used by us for other purposes and 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 HKFRSs 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. 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.
- (4) EBITDA margin is calculated by dividing EBITDA by revenue.

	As of December 31,			
	2010 <sup>(1)</sup>	2011	2012	
	(RMB’000)	(RMB’000)	(RMB’000)	(US\$’000)
				(unaudited)
<b>Consolidated balance sheet data:</b>				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment .....	17,932	28,157	48,947	7,857
Investment properties .....	583,500	551,500	570,500	91,572
Intangible assets .....	308,873	313,841	308,500	49,518
Investments in jointly controlled entities.	178,540	97	1,081,184	173,542
Investments in associates.....	297,775	979,753	3,123,480	501,353
Payments for property development projects .....	–	–	85,000	13,643
Deferred income tax assets .....	228,335	424,924	885,135	142,074
Available-for-sale financial assets.....	–	10,212	–	–
	<u>1,614,9554</u>	<u>2,308,484</u>	<u>6,102,746</u>	<u>979,558</u>
<b>Current assets</b>				
Properties under development.....	8,032,371	19,999,293	37,697,620	6,050,885
Completed properties held for sale .....	1,009,898	5,651,306	8,703,708	1,397,041
Trade and other receivables .....	681,773	451,373	415,920	66,760
Amounts due from jointly controlled entities .....	161,547	441,000	1,289,920	207,046
Amounts due from associates .....	–	–	1,772,488	284,504
Prepayments .....	–	893,995	2,689,111	431,632
Restricted cash.....	291,056	1,103,719	3,868,713	620,971
Cash and cash equivalents .....	3,957,952	2,763,386	8,394,026	1,347,334
	<u>14,134,597</u>	<u>31,304,072</u>	<u>64,831,506</u>	<u>10,406,174</u>
<b>Total assets.....</b>	<u>15,749,552</u>	<u>33,612,556</u>	<u>70,934,252</u>	<u>11,385,732</u>

	As of December 31,			
	2010 <sup>(1)</sup>	2011	2012	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(unaudited)
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Ordinary shares .....	259,112	259,112	260,341	41,788
Reserves .....	4,404,849	6,791,875	9,228,671	1,481,304
	4,663,961	7,050,987	9,489,012	1,523,091
<b>Non-controlling interests .....</b>	–	354,728	2,505,164	402,107
<b>Total equity .....</b>	<b>4,663,961</b>	<b>7,405,715</b>	<b>11,994,176</b>	<b>1,925,198</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings.....	4,625,113	9,320,700	9,942,480	1,595,878
Long-term payable .....	131,868	–	166,745	26,764
Deferred income tax liabilities.....	210,678	2,258,287	4,536,843	728,214
	4,967,659	11,578,987	14,646,068	2,350,856
<b>Current liabilities</b>				
Trade and other payables.....	2,446,814	3,810,458	7,115,809	1,142,166
Advanced proceeds from customers .....	1,422,258	5,839,974	15,145,978	2,431,097
Amounts due to joint controlled entities .	–	–	428,925	68,847
Amounts due to associates.....	450,104	66,150	1,184,417	190,112
Amounts due to non-controlling interests .....	–	–	3,540,126	568,229
Current income tax liabilities .....	731,136	2,657,372	5,096,206	817,998
Borrowings.....	1,067,620	2,253,900	11,782,547	1,891,229
	6,117,932	14,627,854	44,294,008	7,109,678
<b>Total liabilities .....</b>	<b>11,085,591</b>	<b>26,206,841</b>	<b>58,940,076</b>	<b>9,460,535</b>
<b>Total equity and liabilities .....</b>	<b>15,749,552</b>	<b>33,612,556</b>	<b>70,934,252</b>	<b>11,385,732</b>
<b>Net current assets.....</b>	<b>7,855,125</b>	<b>16,676,218</b>	<b>20,537,498</b>	<b>3,296,495</b>
<b>Total assets less current liabilities.....</b>	<b>9,631,620</b>	<b>18,984,702</b>	<b>26,640,244</b>	<b>4,276,053</b>

(1) Certain loans to associate as of December 31, 2010 and 2011 have been reclassified from “Investment in associates” in non-current assets to “Amounts due from associates” in current assets, to conform with latest presentation in the audited financial statements for the year ended December 31, 2012.

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

*You should read the following discussion of our financial condition and results of operations in conjunction with "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this offering memorandum. Our consolidated financial statements have been prepared and presented in accordance with HKFRSs, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this offering memorandum.*

### Overview

We are an integrated residential and commercial property developer with a focus on high-end and high-quality property developments in selected cities in China. We currently focus on the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou and operate in eight strategically targeted cities which we believe have significant potential for economic growth, namely Beijing, Tianjin, Shanghai, Wuxi, Suzhou, Changzhou, Chongqing and Hangzhou. Since we commenced operations in Tianjin in 2003, we have successfully established a strong market position in Tianjin and have been active in expanding our business through our subsidiaries and associates to the other target cities.

We focus on the development of integrated residential and commercial properties. We develop a variety of residential properties for sale, including high-rise apartments, mid-rise apartments, townhouses and detached villas. We also develop various commercial properties primarily for sale as well as for lease, including retail stores, offices and serviced apartments. Many of our residential projects are large in scale, featuring a combination of residential properties integrated with value-added ancillary facilities such as clubhouses, retail stores, parking spaces and schools. Our commercial properties are typically large-scale commercial complexes combining retail space, offices, parking facilities and, in some cases, serviced apartments. We focus on delivering high-quality products and services to medium to high-income customers. During the three years ended December 31, 2012, we generated substantially all of our revenue from the sale of residential and commercial properties and only a minor portion of our revenue was derived from the leasing of investment properties and the provision of property management services.

For the years ended December 31, 2010 and 2011 and 2012, our revenue was RMB6,653.8 million, RMB10,604.0 million and RMB20,842.6 million (US\$3,345.5 million), respectively, and our profit attributable to owners of the company was RMB1,542.2 million, RMB2,356.2 million and RMB2,607.3 million (US\$418.5 million), respectively.

### Recent Developments

#### *Sales Performance for the Two Months Ended February 28, 2013*

Our total committed sales (including sales evidenced by binding pre-sale or sales contracts and sales confirmed by non-binding memorandums of understanding and deposit payment) for the two months ended February 28, 2013 were approximately RMB7,150.0 million, 164.0% higher than our total committed sales for the two months ended February 28, 2012, and represented a total GFA of approximately 341,000 sq.m. and an average selling price of approximately RMB21,000 per sq.m.

### ***Joint Acquisition with Greentown China of Entire Indirect Interest in Golden Regal***

On March 16, 2013, we, Greentown China, China Gold and the sole shareholder of China Gold entered into a cooperative framework agreement, pursuant to which we and Greentown China conditionally agreed to acquire through our equally-owned joint venture, and China Gold conditionally agreed to dispose of, the entire issued share capital of Golden Regal. Upon completion of this transaction, which will be subject to customary closing conditions, we and Greentown China will each hold, through the joint venture, 50% interest in Golden Regal. The joint venture and Golden Regal and its subsidiaries will become our subsidiaries and their financial results will be consolidated into our financial statements. The aggregate consideration under the cooperative framework agreement (subject to adjustment) payable by Greentown China and us is RMB9,019 million, which will be payable by Greentown China and us in equal shares. We expect to enter into a definitive equity transfer agreement within 45 days from March 16, 2013. The consideration will be paid pursuant to the payment schedule specified in the cooperative framework agreement, with the final payment due within 210 days after signing of the definitive equity transfer agreement. Golden Regal, through its subsidiaries, has one property development project in Shanghai.

### ***Acquisition of Minority Interest in Summer Sky***

On March 14, 2013, we, Ying Zi Real Estate, a wholly owned subsidiary of ours, Summer Sky and Shimao entered into a share subscription agreement, pursuant to which Ying Zi Real Estate has agreed to subscribe for, and Summer Sky has agreed to allot and issue to Ying Zi Real Estate, 49 shares of Summer Sky at the price of HK\$1.00 per share for an aggregate consideration of HK\$49 in cash. Upon completion of the share subscription, we will indirectly hold 49% equity interest in Summer Sky, while Shimao will indirectly hold the remaining 51% equity interest in Summer Sky. On February 20, 2013, Summer Sky successfully bid a site located in Hangzhou for an aggregate consideration of RMB1,601.7 million. Shimao and we have agreed that the total investment for developing this site will not exceed US\$298 million and we will make a capital contribution of approximately RMB907 million in proportion to our interest in the project.

### ***Top-up Placement of Shares***

On January 21, 2013, we, our controlling shareholder Sunac International Investment Holdings Ltd. (“Sunac International”), and Citigroup Global Markets Asia Limited (“Citigroup”) entered into a placing and subscription agreement, pursuant to which (i) Citigroup agreed to place, on a fully underwritten basis, 300,000,000 of our existing ordinary shares to be sold by Sunac International at a price of HK\$6.70 per share on behalf of Sunac International and (ii) Sunac International conditionally agreed to subscribe for 300,000,000 of new ordinary shares to be issued by us (the “Subscription Shares”) at a price of HK\$6.70 per share. The Subscription Shares were issued on January 29, 2013. The net proceeds from the issuance of Subscription Shares were HK\$1,998.7 million (RMB1,618.6 million).

### ***Acquisition of Minority Interest in TEDA City***

On December 21, 2012, Sunac Zhidi entered into an equity transfer agreement with Beijing Vantone, pursuant to which Sunac Zhidi agreed to, for a cash consideration of RMB348.8 million, acquire from Beijing Vantone a 23.5% equity interest in TEDA City. On January 7, 2013, Sunac Zhidi entered into an equity and debt transfer agreement with Beijing Vantone, pursuant to which Sunac Zhidi agreed to (i) acquire from Beijing Vantone an additional 23.5% equity interest in TEDA City for a cash consideration of RMB348.9 million and (ii) take up the assignment of a shareholder’s loan from Beijing Vantone to TEDA City in the amount of RMB124.3 million for a cash consideration of RMB124.3 million. As of the date of this offering memorandum, we have completed the transactions under these transfer agreements and the relevant registrations with the State Administration for Industry and

Commerce for the transfers of equity interests. The consideration paid pursuant to these transfer agreements was funded by our internal resources. Following our acquisition of its equity interests, TEDA City is held as to 53% by Tianjin TEDA Group Co., Ltd. and 47% by Sunac Zhidi and is accounted for as an associate of our Company.

### **Significant Factors Affecting Our Results of Operations**

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

#### ***Economic growth, urbanization and demand for real estate properties in China, particularly in Beijing, Tianjin, Shanghai, Wuxi, Suzhou, Changzhou, Chongqing and Hangzhou***

Economic growth, urbanization and increasing purchasing power have been the main forces driving the increasing market demand for residential properties in China. At the current stage of China's economic development, while the property industry in China is regarded by the PRC government as one of China's key industries, it significantly depends on China's overall economic growth, including the increase in the purchasing power of Chinese consumers and the resulting demand for residential properties in China. Because we, through our subsidiaries and associates, primarily focus on developing high-end properties in our target cities of Beijing, Tianjin, Shanghai, Wuxi, Suzhou, Changzhou, Chongqing and Hangzhou, we believe that private sector developments and urbanization in China, particularly in these and other future target cities, are especially important to our operations. These factors are expected to continue to have a significant impact on the number of potential property buyers and the pricing and profitability of residential properties, which directly affect our results of operations.

#### ***Regulatory measures for the property sector in China***

PRC government policies and measures regarding property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macro-economic and taxation policies to promote or slow down the development of the property sector. For example, between 2008 and 2009, the PRC government implemented a series of economic and other measures designed to combat the adverse impact of the global financial crisis and stimulate the growth of the property market. Since the fourth quarter of 2009, in response to concerns about the overheating of the property market, the PRC government has adopted, and will likely continue to adopt, a series of measures to, among other things, slow the escalation of property prices and curb speculation in the property market. In addition, we are also highly susceptible to regulations or measures that may be adopted by the PBOC restricting bank lending to enterprises, particularly to property developers. PRC regulatory measures affecting the property sector will continue to impact our business and results of operations. For more information, see "Risk Factors – Risks Relating to Property Development in the PRC – The PRC government has adopted measures to slow down the property development sector's rate of growth and may continue to do so in the future."

#### ***Ability to maintain a high-quality land bank at a reasonable cost***

Our continuing growth will depend significantly on our ability to maintain a high-quality land bank at a reasonable cost. We expect that competition among developers for land reserves that are suitable for property development will intensify, which will consequently drive up land acquisition costs. Certain regulatory requirements by the PRC government, including, for example, regulations that require government authorities to grant state-owned land use rights for residential or commercial property development through competitive bidding processes, may also significantly affect the ability of property developers, including us, to acquire land and therefore affect our land acquisition costs. For more information, see "Risk Factors – Risks Relating to Our Business – We may not be able to obtain sites that are suitable for property

developments at commercially suitable prices or at all” and “Risk Factors – Risks Relating to Our Business – We may not be able to obtain the land use right certificates for certain land parcels held for future development and may be subject to stricter payment terms for land use rights with respect to land we acquire in the future as a result of any additional restrictive regulations promulgated by the PRC.”

#### ***Location and product mix***

The location of our projects and the type of properties sold are important factors affecting our financial condition and results of operations. We generally believe that, for the same property product, properties developed in Beijing, Tianjin and Shanghai generate higher revenue and gross profit margins than those in Wuxi, Suzhou, Changzhou, Chongqing and Hangzhou, primarily because of their higher prices per sq.m. in line with higher market prices in Beijing, Tianjin and Shanghai.

Among the types of residential properties we sell, detached villas and townhouses usually yield higher gross profit margins than high-rise and mid-rise apartments, as the former property types typically command higher sale prices per sq.m. In addition, commercial properties generally yield higher profit margins than residential complexes. As a result, the PRC government’s restrictions on the size and type of properties developed by property developers may affect our results of operations.

As such, our results of operations and sources of cash from operations may vary significantly from period to period, depending on, among other things, the location of the projects we have completed or sold and the type of products completed or sold in the period.

#### ***Timing and length of property development***

Our results of operations tend to fluctuate from period to period. The number of property developments that a developer can undertake during any particular period is limited by the substantial amount of capital required to fund land acquisitions and to pay construction costs, as well as by the supply of land and other factors. It may take many months, or sometimes years, before any pre-sale in a property development. According to our accounting policy for revenue recognition, although the pre-sale of a property generates positive cash flow for us in the period in which it is made, no revenue is recognized in respect of the sale of a property until its development has been completed and the property has been delivered to the buyer. As construction timetables vary, our revenue in any specified period depends in part on the number of properties completed and delivered in that period.

In addition, as we focus on the development of integrated residential and commercial properties, we typically develop properties in multiple phases over the course of several years. Generally, the selling prices of properties in such larger-scale developments tend to increase as the overall development approaches completion, when we are able to offer a more established residential community to our purchasers. Because the length of time it takes to complete our projects varies depending on a variety of factors, such as the GFA of the project and the type of property constructed, and because the time of year that our projects are completed also varies, our results of operations may fluctuate significantly from period to period.

#### ***Pre-sales***

Pre-sales 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 pre-sale proceeds to develop the properties that have been pre-sold. See “Business – Project Development – Sales and Marketing – Pre-sale” for more information. The amount and timing of cash inflow from pre-sales are affected by a number of factors, including satisfaction of government regulations on



the timing and other conditions relating to pre-sales, our construction and pre-sale schedules, and market demand for our properties available for pre-sale. The amount of cash inflow generated from pre-sales of properties affects our need for external financing and our financing expenses, which could in turn impact our ability to finance our continuing property developments as well as our financial condition and results of operations.

#### *Access to capital and cost of financing*

Property development requires substantial capital investment for land acquisition and construction, and it may take many months or years before positive cash flows can be generated from a project. Historically, we have financed our operations by relying primarily on project loans and other financing facilities from PRC banks and trust companies, internally generated cash flows (including proceeds from the pre-sale and sale of properties), capital raised from exchangeable bond investors, and proceeds from equity and debt issuance in the international capital markets. We intend to continue to rely on some or all of these sources of funding in the future and may also obtain loans and other financing facilities from offshore banks and raise further capital by issuing additional debt securities. As of December 31, 2010, 2011, and 2012, our total borrowings amounted to RMB5,692.7 million, RMB11,574.6 million and RMB21,725.0 million (US\$3,487.1 million), respectively. Our access to capital and cost of financing are affected by restrictions imposed from time to time by the PRC government on bank lending for property development.

A substantial portion of our borrowings are onshore loans from commercial banks in the PRC, the interest rates of which are linked to the benchmark lending rates published by the PBOC. The PBOC from time to time adjusts the benchmark lending rates. Any change in the interest rate on our bank borrowings, including as a result of an interest rate adjustment by the PBOC, will affect our interest payments and finance costs and therefore affect our cash flow, financial condition and results of operations.

For more information, see “Risk Factors – Risks Relating to Our Business – We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations.”

#### *Price volatility of construction materials*

A principal component of our cost of sales is construction costs, and historically, construction materials costs have been the primary driver of our construction costs. As such, our results of operations are affected by the price volatility of construction materials. A significant portion of the construction materials we use for our property development is procured by our construction contractors, which typically bear the risk of fluctuations in construction material prices during the term of the relevant contracts. However, we are exposed to the price volatility of construction materials to the extent that we enter into or renew our construction contracts from time to time and are not able to pass on any increased costs to our customers. Further, we typically pre-sell our properties prior to their completion and we may be unable to pass on the increased costs to our customers if construction costs increase subsequent to the pre-sale.

#### *LAT*

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in real property in the PRC and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, calculated as the proceeds of sales of properties less certain deductible items. We make LAT provisions based on our estimates of the full amount of applicable LAT payable in accordance with the requirements set forth in relevant PRC tax laws and regulations. Pursuant to relevant laws and regulations, we prepaid an amount of LAT equal to 1.0% to 4.5%, for the year ended December 31, 2010 and an amount of LAT equal to 2.0%

to 5.0% for the two years ended December 31, 2012 of the proceeds from pre-sales of properties, depending on the cities in which we operate. We therefore only prepay a portion of our total LAT provisions each year as required by the local tax authorities. If the relevant tax authorities disagree with the basis on which we have calculated our LAT liabilities for provision purposes, or determine that such provisions are insufficient to cover all LAT obligations that tax authorities may ultimately impose on us, our LAT liabilities as calculated by the relevant tax authorities may become substantially higher than our provisions, which could significantly affect our cash flow, financial position and results of operations.

#### ***Change in fair value of our investment properties***

We reassess the fair value of our completed investment properties as of the date of the consolidated balance sheet pursuant to HKFRSs, and gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statement of comprehensive income in the period in which they arise. As of December 31, 2010, 2011 and 2012, the fair value of our investment properties was RMB583.5 million, RMB551.5 million and RMB570.5 million (US\$91.6 million), respectively. For the years ended December 31, 2010, 2011 and 2012, we recorded no change in fair value from valuation of investment properties, a net fair value loss from valuation of investment properties of RMB75.9 million and a net fair value gain from valuation of investment properties of RMB19.0 million, respectively. The fair value of our investment properties is likely to continue to fluctuate from time to time in the future, and volatility in our results of operations may increase as a result of fair value gains or losses. Any decrease in the fair value of our investment properties would adversely affect our profitability. In addition, fair value gains or losses do not give rise to any change to our cash position unless the relevant investment property is sold. Therefore, we may experience constraints on our liquidity even though our profitability increases.

#### **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements as of and for the years ended December 31, 2010, 2011 and 2012, which have been prepared in accordance with HKFRSs. Our reported financial condition and results of operations are sensitive to accounting methods and assumptions and estimates that underlie the preparation of our consolidated financial statements. We continually evaluate our estimates and assumptions and base them on historical experience and on various other factors that our directors believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results typically differ from these estimates. 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.

The selection of critical accounting policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial statements. Our directors believe the following critical accounting policies are among those that involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

#### ***Revenue recognition***

Revenue from sales of properties is recognized when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and recoverability of related receivables is reasonably assured, which is when we determine the risks and rewards associated with the subject properties are transferred to the purchasers. Deposits and installments received on properties sold prior to the date of revenue recognition are included in our consolidated balance sheets as “advanced proceeds from customers” under “current liabilities.”

Rental income generated from leasing of investment properties is recognized on a straight-line basis over the lease term.

Property management service income is recognized when the property management services have been performed, the total amount of revenue and costs arising from such services can be estimated reliably, and the realization of the associated economic benefits is probable.

#### ***Cost of sales***

Cost of sales of our properties for a given period are recognized to the extent that revenue from such properties has been recognized in such period. Prior to the completion and delivery of our properties, such costs incurred are recorded in our consolidated balance sheets as “properties under development” under “current assets.”

Cost of sales include construction costs, costs relating to the acquisition of land use rights, business tax and related surcharges, capitalized finance costs and other business costs, all of which are based upon the total saleable GFA of properties expected to be sold in each project which are allocated to each property based on the estimated relative saleable GFA of each property. We make such estimates based on information available at the time of completion of the relevant sales contracts, including the development plan and budget for the project. If there is any change to the estimated total development cost subsequent to the initial sales of a project, for example, due to fluctuations in construction costs or changes in development plans, we would typically finalize the cost with the contractor and allocate the increased or decreased cost to all properties in the project, including those that have been sold and delivered in prior periods, which would be expected to increase or decrease the unit costs of, and erode or improve the margins realizable on, the properties of the project during the period in which such change occurs.

#### ***Land use rights***

All land in the PRC is state-owned and no individual land ownership right exists. We acquired the rights to use certain land and the land grant fees and other fees that we paid for such rights are recorded as land use rights. Land use rights which are held for development for sales are inventories and measured at the lower of cost and net realizable value. The land use rights of an entire project are transferred to properties under development upon the commencement of construction of any part of the project.

#### ***Properties under development***

Properties under development are stated at the lower of cost and net realizable value on our consolidated balance sheet. Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and anticipated cost to completion. Development cost of properties comprises land use rights costs, construction costs, and capitalized finance costs incurred during the development period. On completion, the properties are transferred to completed properties held for sale on our consolidated balance sheet.

#### ***Completed properties held for sale***

Completed properties remaining unsold at the end of each balance sheet date are stated on our consolidated balance sheet at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates of the estimated selling prices based on prevailing marketing conditions.

#### ***Borrowings and borrowing costs***

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the

period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing is derecognized when, and only when, the obligation specified in the control is discharged or cancelled or expires.

### *Deferred income tax*

Deferred income tax is provided on our consolidated balance sheet in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in our consolidated financial statements. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that management believes it is probable that future taxable profit will be available against which the temporary differences can be utilized. Significant management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

### **Description of Certain Income Statement Items**

#### *Revenue*

Revenue represents our income from sales of properties, rental income from the leasing of investment properties and property management service income. As income from sales of properties constitutes substantially all of our revenue, our results of operations for a given period depend upon the type and GFA of properties we have completed and delivered during that period, the market demand for those properties and the price we obtained from the pre-sale or sale of the properties. Conditions in the property markets in which our subsidiaries and associates operate change from period to period and are affected significantly by the general economic, political and regulatory developments in the PRC, particularly in Beijing, Tianjin, Shanghai, Wuxi, Suzhou, Changzhou, Chongqing and Hangzhou. For the years ended December 31, 2010, 2011 and 2012, we recognized revenue from the sale of properties in the amount of RMB6,593.6 million, RMB10,433.2 million and RMB20,654.4 million (US\$3,315.3 million), respectively, in connection with the delivery of a total GFA of approximately 711,521 sq.m., 739,301 sq.m. and 1,193,651 sq.m., respectively.

The following table sets forth a breakdown of our revenue for the periods indicated:

	For the year ended December 31,						
	2010		2011		2012		
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(US\$'000)	(%)
	(unaudited)						
Sales of properties.....	6,593,575	99.1	10,433,205	98.4	20,654,358	3,315,253	99.1
Property management service income.....	40,952	0.6	152,991	0.2	171,377	27,508	0.8
Rental income.....	19,232	0.3	17,851	1.4	16,857	2,706	0.1
	<u>6,653,759</u>	<u>100.0</u>	<u>10,604,047</u>	<u>100.0</u>	<u>20,842,592</u>	<u>3,345,467</u>	<u>100.0</u>
Total GFA delivered (sq.m.).....	711,521		739,301		1,193,651		
Average selling price per sq.m. sold <sup>(1)</sup> (RMB) ..	9,267		14,112		17,304		

*Note:*

- (1) Average selling price per sq.m. sold refers to the average realized sales price of properties (excluding our leasing operations and property management services) and is derived by dividing income from sales of properties by the total GFA delivered.

Consistent with industry practice in the PRC, after satisfying the conditions for pre-sales set forth in PRC laws and regulations, we often enter into pre-sale contracts with customers while the relevant properties are still under development. We do not recognize any revenue from the pre-sale of our properties until we have completed the construction of such properties and delivered them to the customers. Typically there is a time gap ranging from one to two years between the time we commence pre-sales of properties and the time we deliver such properties. Before the completion of pre-sold properties, deposits and installments received from our customers are recorded as “advanced proceeds from customers” under “current liabilities” on our consolidated balance sheet.

### *Cost of sales*

Cost of sales comprises the costs we incur directly in relation to our property development activities as well as our leasing and property management operations. Cost of sales includes construction related costs, costs relating to the acquisition of land use rights, business tax, capitalized interest on relevant borrowings during the period of construction and other business costs as follows:

- *Construction costs.* These represent costs for the design and construction of a property project and consist primarily of fees paid to our contractors, including those responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction related costs are affected by a number of factors such as the prices of construction materials, location and types of properties, choices of materials and investments in ancillary facilities.
- *Land use rights costs.* These represent costs relating to acquisition of the rights to occupy, use and develop land, including land grant fees, demolition and resettlement costs, and other land related taxes and government surcharges. Such costs are influenced by a number of factors, including the location of the property, market conditions, the project’s plot ratios, the approved use of the land, our method of acquisition and changes in PRC regulations.
- *Business tax and related surcharges.* Our operating subsidiaries in the PRC are subject to business tax on their revenues. Sales of properties were subject to a 5% business tax during each of the years ended December 31, 2010, 2011 and 2012. In addition, these subsidiaries are subject to certain taxes and surcharges ranging from 0% to 7% of the amount of business tax paid.
- *Capitalized finance costs.* We capitalize a portion of our cost of borrowing to the extent that such costs are directly attributable to the construction of a particular project. In general, we capitalize finance costs incurred from the commencement of the planning and design of a project until the physical completion of its construction. Costs that are not directly attributable to the construction of a particular project are recorded as finance costs in our consolidated income statement and therefore fluctuations in the amount and timing of capitalization of our borrowing costs from period to period will affect our finance costs.
- *Other costs.* We incur other business costs primarily in relation to our leasing and property management operations. This also includes a 5% business tax on the leasing of investment properties and the provision of property management services.

The following table shows certain information relating to our costs of sales for the periods indicated:

	For the year ended December 31,						
	2010		2011		2012		
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(US\$'000)	(%)
	(unaudited)						
Development costs:							
Other development costs.....	2,395,537	63.4	3,394,763	48.2	7,416,939	1,190,501	48.0
Land use rights costs .....	747,027	19.8	2,596,776	36.9	5,350,179	858,763	34.6
Capitalized finance costs .....	231,884	6.1	321,894	4.6	1,051,176	168,725	6.8
	3,374,448	89.4	6,313,433	89.7	13,818,294	2,217,989	89.4
Other costs .....	43,011	1.1	132,008	1.9	302,188	48,505	2.0
Impairment provision for properties .....	-	-	-	-	182,868	29,352	1.2
	3,417,459	90.5	6,445,441	91.6	14,303,350	2,295,846	92.5
Business tax and related surcharges.....	358,149	9.5	592,133	8.4	1,156,792	185,678	7.5
Total.....	3,775,608	100.0	7,037,574	100.0	15,460,142	2,481,254	100.0
Total GFA delivered (sq.m.) .....	711,521		739,301		1,193,651		
Average cost per sq.m. sold (RMB) <sup>(1)</sup> .....	5,246		9,326		12,699		

*Note:*

- (1) Average cost per sq.m. sold refers to the average cost of sales of properties (excluding our leasing and property management operations) and is derived by dividing the sum of construction related costs, land use rights costs, capitalized interest and business tax by the total GFA delivered.

The components of our cost of sales may change in any given period based on the type and location of properties completed and sold. We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties has been recognized in that period, which is generally upon completion and delivery of the relevant properties.

***Net gain or loss from fair value of investment properties***

Investment properties, which include principally properties held for long-term rental yields, are stated at their fair value on each balance sheet date. During the three years ended December 31, 2012, our investment properties comprised only completed investment properties and gains or losses from fair value of investment properties arose from (i) fair value adjustments in respect of our existing completed investment properties in accordance with prevailing market conditions and (ii) the recategorization of properties from certain completed properties held for sale to completed investment properties upon a decision to change the designated use of such properties. Gains or losses arising from changes in the fair value of investment properties are included in our consolidated income statement in the period in which they arise. However, any such gains or losses reflect unrealized capital gains or losses in the value of our investment properties and do not constitute profit generated from operations or generate any cash inflow to us. The fair values of our investment properties are based on valuations of such properties conducted by an independent property valuer, using property valuation techniques involving certain assumptions of market conditions. Favorable or unfavorable changes to these assumptions would be expected to result in changes in the fair value of our investment properties and corresponding adjustments to the amount of gain or loss reported in our income statement.

For the years ended December 31, 2010, 2011 and 2012, we had no change in fair value from valuation of investment properties, a net fair value loss from valuation of investment properties of RMB75.9 million and a net fair value gain from valuation of investment properties of RMB19.0 million, respectively. The following table shows the changes in the fair value of our investment properties (before deferred tax effect), broken down by property type and project, for the periods indicated:

	For the year ended December 31,					
	2010		2011		2012	
	Saleable/ rentable GFA	Change in fair value	Saleable/ rentable GFA	Change in fair value	Saleable/ rentable GFA	Change in fair value
	(sq.m.)	(RMB'000)	(sq.m.)	(RMB'000)	(sq.m.)	(RMB'000) (US\$'000)
	(unaudited)					
Existing completed investment properties						
Magnetic Capital .....	91,035	-	91,035	(75,900)	104,711	19,000 3,050
Joy Downtown.....	13,751	-	13,751	-	13,751	- -
	<u>104,786</u>	<u>-</u>	<u>104,786</u>	<u>(75,900)</u>	<u>118,462</u>	<u>19,000 3,050</u>
Newly added completed investment properties						
Magnetic Capital .....	-	-	13,676	-	-	- -
	<u>-</u>	<u>-</u>	<u>13,676</u>	<u>-</u>	<u>-</u>	<u>- -</u>
Total.....	<u>104,786</u>	<u>-</u>	<u>118,462</u>	<u>(75,900)</u>	<u>118,462</u>	<u>19,000 3,050</u>

#### ***Selling and marketing costs***

Selling and marketing costs comprise primarily advertisement and promotion costs relating to the sale of properties, sales and marketing staff costs, and office and travel and other expenses relating to sales and marketing.

#### ***Administrative expenses***

Administrative expenses comprise primarily administrative staff costs, general office and travel expenses, consulting expenses, other tax expenses and various other expenses.

#### ***Other income***

Other income consists primarily of investment income primarily from grants from local governments designed to encourage development in certain locations, interest receivable on shareholder's loan extended to certain of our jointly controlled entities and associates at the time, and other various types of income. We do not receive government grants every year, and it is within the discretion of the local governments to determine whether and how much to grant to an enterprise. The criteria and basis of making a grant by each local government are different, but the decision usually depends on the local government's evaluation of the local economic conditions and the contribution made by the relevant enterprise.

#### ***Other expenses***

Other expenses consist of donations and other miscellaneous expenses.

### *Net finance costs*

Net finance costs include primarily interest expenses on bank borrowings, borrowings from non-bank financial institutions, borrowings from third parties, senior notes and other finance costs, other than capitalized interest and net of interest income. Other finance costs include fees and charges on notes payable issued by banks, changes in the fair value of the future payables arising from obligations incurred in relation to the transfer to us of a 50% equity interest in Sunac Hengji, and certain other costs associated with certain financing activities. See also “– Share of profit or loss of associates” below.

### *Share of profit of jointly controlled entities*

For the two years ended December 31, 2011, share of profit of jointly controlled entities mainly represented our profit after taxation that was attributable to our interest in Chongqing Yatai for the period it was a jointly controlled entity of our Company. Chongqing Yatai is engaged in the Sunac Asia Pacific Enterprise Valley project. In 2007, we first acquired a 45% equity interest in Chongqing Yatai. In January 2011, we acquired an additional 40% equity interest in Chongqing Yatai. As a result, in January 2011, Chongqing Yatai ceased to be a jointly controlled entity of our Company and we began to consolidate the financial results of Chongqing Yatai into our consolidated financial statements.

In January 2011, we also acquired a 40% equity interest in APEV Property Management Co., Ltd. (“APEV Property Management”). We acquired an additional 15% equity interest in APEV Property Management in July 2012 and the remaining 45% equity interest in APEV Property Management in September 2012. APEV Property Management is engaged in property management in respect of the Sunac Asia Pacific Enterprise Valley project. It became a jointly controlled entity of our Company in January 2011 and a subsidiary of our Company in September 2012.

For the year ended December 31, 2012, share of loss of jointly controlled entities was primarily due to the loss from Beijing Franshion Sunac Real Estate Development Co., Ltd. (“Franshion Sunac”), Changzhou Greentown Real Estate Co., Ltd. (“Changzhou Greentown”) and Tianjin Beitang Sunac Investment Co., Ltd. (“Beitang Sunac”). Franshion Sunac and Beitang Sunac were established in January 2012 and March 2012, respectively. Changzhou Greentown became a jointly controlled entity of our Company in July 2012. As of December 31, 2012, none of Franshion Sunac, Changzhou Greentown and Beitang Sunac commenced the delivery of the projects they were developing.

### *Share of profit or loss of associates*

For the year ended December 31, 2010, share of profit of associates represented our share of profit attributable to our investment in Sunac Hengji and Beijing Shouchi Yuda Real Estate Development Co., Ltd. (“Shouchi Yuda”). We acquired a 50% equity interest in Sunac Hengji in August 2007 and the remaining 50% equity interest in Sunac Hengji in September 2011. Sunac Hengji is engaged in the Sunac East Fairyland project, through its current 100% equity ownership of Shouchi Yuda, and in the Sunac West Chateau project.

Prior to September 2011, as we held a 50% equity interest in Sunac Hengji, which wholly and indirectly owns the Sunac East Fairyland project, we recorded a share of 50% of any post-acquisition profit or loss generated from the Sunac East Fairyland project. We had agreed, however, that out of our share of the dividends distributable from the Sunac East Fairyland project, 50% will be paid to the transferor as consideration for our acquisition of the 50% equity interest in Sunac Hengji from the transferor. The present value of future payables was included in long-term payable prior to 2011 and in trade and other payables since 2011 on our consolidated balance sheet.

Pursuant to a profit sharing arrangement that Sunac Zhidi entered into in 2008 with Beijing Shougang Real Estate Development Co., Ltd. (“Beijing Shougang”), the other shareholder of Sunac Hengji, we agreed we would be entitled to 35% of the net profit derivable from the Sunac West Chateau project and we would be obligated to fund only 20% of the additional investments required for the Sunac West Chateau project.



Following our acquisition of the remaining 50% equity interest in Sunac Hengji in September 2011, Sunac Hengji became our wholly owned subsidiary and we are entitled to 100% of the net profit derivable from the Sunac East Fairyland and Sunac West Chateau projects. For the year ended December 31, 2011, share of loss of associates was primarily due to the loss from Sunac Hengji.

For the year ended December 31, 2012, share of loss of associates was primarily due to the loss from Tianjin Poly Sunac Investment Company Limited (“Tianjin Poly Sunac”). On September 7, 2011, our wholly owned subsidiary Sunac Zhidi entered into an agreement with a third party investor, Poly (Tianjin) Real Estate Development Co., Ltd. (“Poly Real Estate”), in relation to the establishment of Tianjin Poly Sunac, a new property project company, in Tianjin. We have a 49% equity interest in Tianjin Poly Sunac and Poly Real Estate owns the remaining 51% equity interest in Tianjin Poly Sunac.

#### *Income tax expenses*

Income tax expenses represent current and deferred PRC corporate income tax and LAT incurred by our PRC subsidiaries. Our PRC corporate income tax has been calculated at the applicable tax rate on our assessable profits during the three years ended December 31, 2012. Under the PRC Corporate Income Tax Law effective January 1, 2008, a uniform tax rate of 25% applies to all enterprises operating in the PRC, including foreign-owned enterprises which have set up production and operation facilities in the country.

#### *Non-controlling interests*

Non-controlling interests represent third-party interests in our non-wholly owned subsidiaries, which included primarily Shanghai Sunac Greentown Investment Holding (“Shanghai Sunac Greentown”) and its non-wholly owned subsidiaries, Chongqing Yatai, Wuxi Sunac City, Hubin Real Estate Co. Ltd. (“Hubin Real Estate”), Tianjin Sunac Mingxiang Investment Development Co., Ltd. (“Sunac Mingxiang”), Chongqing Yejin Real Estate Development Co., Ltd. (Chongqing Yejin) and Beijing Xishanhui Business Club Management Co., Ltd. (Beijing Xishanhui) for the relevant periods.

The following table shows the non-controlling interests in our non-wholly owned subsidiaries for the periods indicated.

	<b>For the year ended December 31,</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
Shanghai Sunac Greentown.....	–	–	50.0%
Chongqing Yatai.....	–	15.0%	–
Wuxi Sunac City.....	–	28.6%	28.6%
Hubin Real Estate.....	–	–	49.0%
Sunac Mingxiang.....	–	–	49.6%
Chongqing Yejin .....	–	–	40.0%
Beijing Xishanhui .....	–	–	20.0%
Shanghai Huazhe Bund Real Estate Development Co., Ltd. ....	–	–	74.5%
Suzhou Greentown Rose Garden Real Estate Development Co., Ltd. ....	–	–	66.7%
Wuxi Greentown Real Estate Development Co., Ltd. ....	–	–	57.5%
Tianjin Yijun Investment Co., Ltd. ....	–	–	60.0%

## Results of Operations

The following table shows the line items of our consolidated income statements, expressed in absolute figures and as a percentage of revenue, for the periods indicated:

	For the year ended December 31,						
	2010		2011		2012		
	(RMB'000)	(Percentage of revenue)	(RMB'000)	(Percentage of revenue)	(RMB'000)	(US\$'000)	(Percentage of revenue)
	(unaudited)						
Revenue .....	6,653,759	100.0	10,604,047	100.0	20,842,592	3,345,467	100.0
Cost of sales.....	(3,775,608)	(56.7)	(7,037,574)	(66.4)	(15,460,142)	(2,481,524)	(74.2)
Gross profit.....	2,878,151	43.3	3,566,473	33.6	5,382,450	863,943	25.8
Gains from business combination .....	-	-	835,430	7.9	154,916	24,866	0.7
Selling and marketing costs.....	(108,799)	(1.6)	(314,090)	(3.0)	(529,959)	(85,064)	(2.5)
Administrative expenses .....	(155,819)	(2.3)	(301,079)	(2.8)	(354,540)	(56,908)	(1.7)
Other (losses)/gain, net .....	-	-	(75,900)	0.7	20,467	3,285	0.1
Other income .....	24,411	0.4	18,316	0.2	15,849	2,544	0.1
Other expenses .....	(1,840)	(0.0)	(7,540)	(0.1)	(1,894)	(304)	(0.0)
Operating profit .....	2,636,104	39.6	3,721,610	35.1	4,687,289	752,362	22.5
Finance income.....	18,504	0.3	18,687	0.2	29,168	4,682	0.1
Finance costs.....	(186,756)	(2.8)	(202,030)	(1.9)	(113,101)	(18,154)	(0.5)
Share of profit/(loss) of jointly controlled entities .....	49,828	0.7	97	0.0	(30,438)	(4,886)	(0.1)
Share of profit/(loss) of associates.....	79,443	1.2	(10,072)	(0.1)	(8,347)	(1,340)	(0.0)
Gains from acquisition of associates.....	-	-	-	-	119,957	19,254	0.5
Profit before income tax .....	2,597,123	39.0	3,528,292	33.3	4,684,528	751,919	22.5
Income tax expenses.....	(1,056,132)	(15.9)	(1,145,220)	(10.8)	(2,069,788)	(332,224)	(9.9)
Profit for the year .....	1,540,991	23.2	2,383,072	22.5	2,614,740	419,695	12.5
Attributable to:							
Owners of the Company .....	1,542,161	23.2	2,356,168	22.2	2,607,300	418,501	12.5
Non-controlling interests.....	(1,170)	(0.0)	26,904	0.3	7,440	1,194	0.0
	1,540,991	23.2	2,383,072	22.5	2,614,740	419,695	12.5

### 2012 compared to 2011

#### Revenue

Our revenue increased by RMB10,238.5 million, or 96.6% from RMB10,604.0 million in 2011 to RMB20,842.6 million in 2012. This increase in revenue was principally attributable to a significant increase in the GFA delivered from 739,301 sq.m. in 2011 to 1,193,651 sq.m. in 2012 due to the growth of our property development business as a result of both our organic growth and the acquisition of Greentown property projects and a 22.6% increase in the average selling price per sq.m. sold, from RMB14,112 per sq.m. in 2011 to RMB17,304 per sq.m. in 2012, which was due primarily to (i) an increase in the sale and delivery of properties with higher average selling prices in 2012 and (ii) our general upgrade of property quality.

#### *Cost of sales*

Our cost of sales increased significantly by RMB8,422.6 million from RMB7,037.6 million in 2011 to RMB15,460.1 million in 2012, which was primarily due to (1) the significant increase in the GFA of the properties delivered in 2012, (2) an increase in the valuation surplus of properties acquired charged in cost of sales from RMB1,311.6 million in 2011 to RMB1,722.6 million in 2012, primarily as a result of our acquisition of Greentown property projects and (3) a 36.2% increase in average cost per sq.m. sold from RMB9,326 per sq.m. in 2011 to RMB12,699 per sq.m. in 2012, which was due to (i) higher unit costs associated with higher-priced products such as serviced apartments and town houses, (ii) an increase in development costs incurred in connection with our general upgrade of property quality and (iii) a general increase in development cost as a result of inflation.

#### *Gross profit*

Our gross profit increased by RMB1,816.0 million, or 50.9%, from RMB3,566.5 million in 2011 to RMB5,382.5 million in 2012. Our gross profit margin decreased from 33.6% in 2011 to 25.8% in 2012. This decrease in gross profit margin was mainly due to the increase in the proportion of the properties we delivered in 2012 that were (i) re-measured at fair value due to our acquisition of property projects and (ii) from the property projects we acquired from Greentown Real Estate in 2012, which generally have lower gross profit margins.

#### *Gains from business combination*

Our gains from business combination decreased by RMB680.5 million, or 81.5%, from RMB835.4 million in 2011 to RMB154.9 million in 2012. The gains from business combination in 2012 was mainly due to our acquisitions of the Greentown property companies in July 2012. We recognized a gain of RMB154.9 million as a result of the excess of fair value of net assets acquired from Greentown Real Estate over cost of acquisition of interests in the companies acquired.

#### *Selling and marketing costs*

Our selling and marketing costs increased by RMB215.9 million, or 68.7%, from RMB314.1 million in 2011 to RMB530.0 million in 2012. This increase in selling and marketing costs was primarily due to an increase in marketing and branding activities as a result of the increase in the number of property projects we launched and acquired in 2012. Our selling and marketing costs as a percentage of revenue decreased to 2.5% in 2012 from 3.0% in 2011.

#### *Administrative expenses*

Our administrative expenses increased by RMB53.5 million, or 17.8%, from RMB301.1 million in 2011 to RMB354.5 million in 2012. This increase in administrative expenses was primarily due to the increase in the number of property projects we launched and acquired in 2012. Our administrative expenses as a percentage of revenue decreased to 1.7% in 2012 from 2.8% in 2011.

#### *Net other gains or losses*

Our net other gains were RMB20.5 million in 2012, compared with net other losses of RMB75.9 million in 2011. Our net other gains in 2012 were primarily due to the revaluation of our investment properties at Sunac Magnetic Capital resulting from changes in investment income receivable on such properties and changes in prevailing market conditions.

#### *Other income*

Our other income decreased by RMB2.5 million, or 13.5%, from RMB18.3 million in 2011 to RMB15.8 million in 2012. This decrease in other income was primarily attributable to a decrease of RMB5.6 million in investment income as a result of the collection of entrusted loans to our associates, partially offset by an increase in the amount of RMB2.7 million in government grants.

#### *Other expenses*

Our other expenses decreased by RMB5.6 million, or 74.9%, from RMB7.5 million in 2011 to RMB1.9 million in 2012. This decrease in other expenses was due primarily to a decrease in donations.

#### *Operating profit*

As a result of the foregoing, our operating profit increased by RMB965.7 million, or 25.9%, from RMB3,721.6 million in 2011 to RMB4,687.3 million in 2012. Our operating margin decreased from 35.1% in 2011 to 22.5% in 2012.

#### *Finance income*

Our finance income increased by RMB10.5 million, or 56.1%, from RMB18.7 million in 2011 to RMB29.2 million in 2012. This increase in finance income was due to increased interest income on bank deposits.

#### *Finance costs*

Our finance cost decreased by RMB88.9 million, or 44.0%, from RMB202.0 million in 2011 to RMB113.1 million in 2012. This decrease in finance costs was mainly attributable to an increase in capitalized interest. Capitalized interest increased from RMB787.7 million in 2011 to RMB1,717.4 million in 2012 primarily because of our increased property development activities in 2012. The interest expenses on our total borrowings increased from RMB932.1 million in 2011 to RMB1,817.3 million in 2012, which was due primarily to a larger amount of average borrowings to primarily finance our increased property development activities in 2012.

#### *Net finance costs*

As a result of the foregoing, our net finance costs decreased by RMB99.4 million, or 54.2%, from RMB183.3 million in 2011 to RMB83.9 million in 2012.

#### *Share of loss or profit of jointly controlled entities*

Our share of loss of jointly controlled entities was RMB30.4 million in 2012, which was primarily due the loss from Franshion Sunac, Changzhou Greentown and Beijing Sunac. As of December 31, 2012, none of Franshion Sunac, Changzhou Greentown and Beitang Sunac had commenced the delivery of the projects they were developing. Our share of profit of jointly controlled entities was RMB0.1 million in 2011.

#### *Share of loss of associates*

Our share of loss of associates was RMB8.3 million in 2012, which was primarily due to the loss from Tianjin Poly Sunac. Our share of loss of associates was RMB10.1 million in 2011, which was primarily due to the loss from Sunac Hengji. Neither Tianjin Poly Sunac nor Sunac Hengji had commenced the delivery of the projects they were developing as of December 31, 2012 and December 31, 2011, respectively.

#### *Gains from acquisition of associates*

Our gains from acquisition of associates was RMB120.0 million in 2012, which was primarily due to our acquisition of equity interests in Shanghai Woods Golf and TEDA City. We accounted for these investments in associates at their fair values and recognized gains of RMB115.6 million and RMB4.4 million, respectively. Our gains from acquisition of associates was nil in 2011.

#### *Profit before income tax*

As a result of the foregoing, our profit before income tax increased by RMB1,156.2 million, or 32.8% from RMB3,528.3 million in 2011 to RMB4,684.5 million in 2012.

#### *Income tax expenses*

Our income tax expenses increased by RMB924.6 million, or 80.7%, from RMB1,145.2 million in 2011 to RMB2,069.8 million in 2012. Our LAT charge increased significantly by RMB697.2 million from RMB435.0 million in 2011 to RMB1,132.2 million in 2012, which was due primarily to the increase in the high gross profit properties with relatively high selling prices sold and delivered in 2012. Our corporate income tax increased by RMB227.3 million, or 32.0%, from RMB710.2 million in 2011 to RMB937.5 million in 2012, largely as a result of the increase in profit before income tax.

#### *Profit for the year*

As a result of the foregoing, our profit for the year increased by RMB231.7 million, or 9.7%, to RMB2,614.7 million in 2012 from RMB2,383.1 million in 2011.

#### *Non-controlling interests*

Our profit attributable to non-controlling interests was RMB7.4 million in 2012. Such profit in 2012 principally reflects the non-controlling shareholders' share of the profit from the projects we acquired from Greentown Real Estate in January and July 2012. Our profit attributable to non-controlling interests was RMB26.9 million in 2011.

### **2011 compared to 2010**

#### *Revenue*

Our revenue increased by RMB3,950.2 million, or 59.4%, from RMB6,653.8 million in 2010 to RMB10,604.0 million in 2011. This increase was principally attributable to a 52.3% increase in the average selling price per sq.m. sold, from RMB9,267 per sq.m. in 2010 to RMB14,112 per sq.m. in 2011, which was due primarily to (i) an increase in the sale and delivery of properties with higher average selling prices in 2011 and (ii) our general upgrade of property quality. The total GFA delivered increased by 3.9% from approximately 711,521 sq.m. in 2010 to approximately 739,301 sq.m. in 2011.

#### *Cost of sales*

Our cost of sales increased by RMB3,262.0 million, or 86.4%, from RMB3,775.6 million in 2010 to RMB7,037.6 million in 2011. This increase was primarily attributable to a 77.8% increase in average cost per sq.m. sold, from RMB5,246 per sq.m. in 2010 to RMB9,326 per sq.m. in 2011, which was due to (i) higher unit costs associated with higher-priced products such as serviced apartments and town houses, (ii) an increase in development costs incurred in connection with our general upgrade of property quality, (iii) a general increase in development cost as a result of inflation, and (iv) the impact of equity interest acquisitions we made in 2011.

In January 2011, we acquired an additional 40% equity interest in Chongqing Yatai, which was otherwise previously a jointly controlled entity of our Company. In September 2011, we acquired an additional 50% equity interest in Sunac Hengji, which was otherwise previously an associate of our Company. Upon completion of these acquisitions, Chongqing Yatai and Sunac Hengji became our subsidiaries and their results were consolidated in our financial statements. In accordance with the relevant requirements of HKFRSs, the properties of Chongqing Yatai and Sunac Hengji were remeasured at fair value at the respective acquisition

dates in our consolidated financial statements. The fair value of the properties in Chongqing Yatai and Sunac Hengji rose by approximately RMB1,026.5 million and RMB4,367.9 million respectively as compared with their carrying amounts and their valuation surplus totaling RMB1,311.6 million in 2011 was included in our cost of sales for the year.

#### *Gross profit*

As a result of the foregoing, our gross profit increased by RMB688.3 million, or 23.9%, from RMB2,878.2 million in 2010 to RMB3,566.5 million in 2011. Between these years, our gross profit margin decreased from 43.3% to 33.6%. This decrease in gross profit margin primarily reflected the impact of our acquisitions of additional equity interests in Chongqing Yatai and Sunac Hengji. Excluding the impact of these acquisitions, the gross profit margin was 46.0% in 2011.

#### *Gains from business combination*

The gains from business combination in 2011 was due to our acquisitions of additional equity interests in our previous jointly controlled entity, Chongqing Yatai, and our previous associate, Sunac Hengji, in 2011. These two entities became our subsidiaries after the transactions. In accordance with the relevant requirements of HKFRSs, the previously held equity interests were remeasured at the fair value of the related equity interests as at the acquisition dates. Therefore, gains of RMB181.3 million and RMB654.1 million were recognized respectively for the differences between the book values and the fair values of the previously held equity interests in Chongqing Yatai and Sunac Hengji. The significant increase in the fair values of the equity interests was in line with the value increase of the real estate properties developed by the two entities.

#### *Selling and marketing costs*

Our selling and marketing costs increased significantly by RMB205.3 million from RMB108.8 million in 2010 to RMB314.1 million in 2011. This increase in selling and marketing costs was due mainly to an increase in marketing and branding efforts as a result of an increase in new project launches and greater promoting efforts in light of the controlling measures implemented by the PRC government.

#### *Administrative expenses*

Our administrative expenses increased by RMB145.3 million, or 93.3%, from RMB155.8 million in 2010 to RMB301.1 million in 2011. This increase in administrative expenses was due primarily to an increase in the number of projects launched in 2011.

#### *Net other losses*

Our net other losses was RMB75.9 million in 2011 compared to nil in 2010. Our net other losses represents the fair value loss from valuation of our investment properties. The fair value of our investment properties remained stable in 2010. The net loss from fair value of investment properties in 2011 was due primarily to (i) the re-categorization of certain completed properties held for sale to investment properties as we decided to change the designated use of such properties and (ii) the revaluation of our investment properties at Sunac Magnetic Capital primarily as a result of changes in investment income receivable on such properties and changes in prevailing market conditions.

#### *Other income*

Our other income decreased by RMB6.1 million, or 25.0%, from RMB24.4 million in 2010 to RMB18.3 million in 2011. This decrease in other income was principally attributable to a decrease of RMB13.1 million in investment income as a result of the repayment of entrusted loans by certain associates in 2011. Such decrease was partially offset by an increase of RMB7.7 million in government grants.

#### *Other expenses*

Our other expenses increased significantly by RMB5.7 million from RMB1.8 million in 2010 to RMB7.5 million in 2011. This increase in other expenses was due primarily to donations of RMB4.7 million in 2011.

#### *Operating profit*

As a result of the foregoing, our operating profit increased by RMB1,085.5 million, or 41.2%, from RMB2,636.1 million in 2010 to RMB3,721.6 million in 2011. Our operating margin decreased from 39.6% in 2010 to 35.1% in 2011.

#### *Finance income*

Our finance income increased by RMB0.2 million, or 1.0%, from RMB18.5 million in 2010 to RMB18.7 million in 2011. This increase in finance income was due to increase interest income on bank deposits.

#### *Finance costs*

Our finance cost increased by RMB15.3 million, or 8.2%, from RMB186.8 million in 2010 to RMB202.0 million in 2011. This increase in finance costs was mainly attributable to an increase in interest expenses on our total borrowings from RMB366.2 million in 2010 to RMB932.1 million in 2011, which was due primarily to (i) a larger amount of average borrowings to primarily finance our increased property development activities in 2011 and (ii) a higher weighted average effective interest rate in 2011 primarily as a result of the tightened monetary policy of the PRC. Capitalized interest increased from RMB236.2 million in 2010 to RMB787.7 million in 2011 primarily because of our increased property development activities in 2011.

#### *Net finance costs*

As a result of the foregoing, our net finance costs increased by RMB15.0 million, or 8.9%, from RMB168.3 million in 2010 to RMB183.3 million in 2011.

#### *Share of profit of jointly controlled entities*

Our share of profit of jointly controlled entities decreased to RMB0.1 million in 2011 from RMB49.8 million in 2010, which was primarily due to the impact of our equity interest acquisition. In January 2011, we acquired an additional 40% equity interest in Chongqing Yatai and a 40% equity interest in APEV Property Management. Upon completion of the acquisitions, Chongqing Yatai became our 85% owned subsidiary and APEV Property Management became our jointly controlled entity. APEV Property Management was mainly engaged in property management service with low profits and only 40% of the net profit from APEV Property Management was attributable to us, which resulted in the substantial decrease in share of profit of jointly controlled entities in 2011.

#### *Share of profit or loss of associates*

Our share of loss of associates was RMB10.1 million in 2011, compared to a share of profit of associates of RMB79.4 million in 2010. This change was primarily attributable to our acquisition of additional equity interests in Sunac Hengji and Shouchi Yuda in September 2011, both of which became our subsidiaries, as (i) Shouchi Yuda had completed most of the sales and delivery of the Sunac East Fairyland project by the end of 2010 and (ii) Sunac Hengji had not yet commenced the delivery of the Sunac West Chateau project before it ceased to be our associate.

#### *Profit before income tax*

As a result of the foregoing, our profit before income tax increased by RMB931.2 million, or 35.9%, from RMB2,597.1 million in 2010 to RMB3,528.3 million in 2011.

### *Income tax expenses*

Our income tax expenses increased significantly by RMB89.1 million, or 8.4%, from RMB1,056.1 million in 2010 to RMB1,145.2 million in 2011. Our corporate income tax increased by RMB160.6 million, or 29.2%, from RMB549.6 million in 2010 to RMB710.2 million in 2011, largely as a result of the increase in profit before income tax. Our LAT charge decreased by RMB71.5 million from RMB506.5 million in 2010 to RMB435.0 million in 2011, which was due primarily to a higher share of low gross profit margin properties among the properties sold and delivered in 2011.

### *Profit for the year*

As a result of the cumulative effect of the foregoing factors, our profit for the year after income tax increased by RMB842.1 million, or 54.6%, from RMB1,541.0 million in 2010 to RMB2,383.1 million in 2011.

### *Non-controlling interests*

The profit attributable to non-controlling interests was RMB26.9 million in 2011, compared to a loss attributable to non-controlling interests of RMB1.2 million in 2010. Such profit in 2011 principally reflects the equity interests held by minority shareholders in Chongqing Yatai and Wuxi Sunac City in 2011 and the profit from those projects developed by Chongqing Yatai and Wuxi Sunac City.

## **Liquidity and Capital Resources**

### *Overview*

We operate in a capital intensive industry. Historically, we have financed our operations by relying primarily on project loans and other financing facilities from PRC banks and trust companies, internally generated cash flows (including proceeds from the pre-sale and sale of properties), capital raised from exchangeable bond investors, and proceeds from equity and debt issuance in the international capital markets. We intend to continue relying on some or all of these sources of funding in the future and may also obtain loans and other financing facilities from offshore banks and raise further capital by issuing additional debt securities. Our short-term liquidity requirements relate to servicing our debt and funding our working capital requirements, and our sources of short-term liquidity include cash balances, proceeds from pre-sales and sales of properties and short-term loans. Our long-term liquidity requirements relate to funding the development of our new property projects and repaying our long-term debt, and our sources of long-term liquidity include long-term loans and proceeds from issuance of equity and debt securities.

### *Cash flow*

The following table summarizes our cash flow for the periods indicated.

	<b>For the year ended December 31,</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2012</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(US\$'000)</b>
				<b>(unaudited)</b>
<b>Selected cash flow statement data:</b>				
Net cash (used in)/generated from operating activities.....	(1,577,767)	(2,674,943)	9,509,212	1,526,334
Net cash used in investing activities....	(191,561)	(1,479,079)	(5,259,605)	(844,225)
Net cash generated from financing activities .....	4,303,448	2,959,456	1,382,015	221,829
Net increase/(decrease) in cash and cash equivalents .....	<u>2,534,120</u>	<u>(1,194,566)</u>	<u>5,631,622</u>	<u>903,938</u>



*Net cash generated from or used in operating activities*

We had net cash generated from operating activities of RMB9,509.2 million in 2012. Our net cash generated from operating activities in 2012 was primarily attributable to (i) our profit before income tax of RMB4,684.5 million, which was adjusted mainly to account for our gains from business combination of RMB154.9 million, gains from acquisition of associates of RMB120.0 million and finance costs of RMB113.1 million, and (ii) changes in working capital representing a cash inflow of RMB6,612.2 million. Such changes in working capital were primarily attributable to an increase of RMB9,306.0 million in advanced proceeds from customers and a decrease of RMB1,959.3 million in properties under development and completed properties held for sale, net, which was offset partially by an increase of RMB2,568.6 million in trade and other receivables and prepayments and an increase of RMB1,118.6 million in restricted cash on advanced proceeds.

We had net cash used in operating activities of RMB2,674.9 million in 2011. Our net cash used in operating activities in 2011 was primarily attributable to (i) our profit before income tax of RMB3,528.3 million, which was adjusted mainly to account for our gains from business combination of RMB835.4 million and finance costs of RMB202.0 million, and (ii) changes in working capital representing a cash outflow of RMB4,902.0 million. Such changes in working capital consisted mainly of (i) a RMB7,013.2 million increase in properties under development and completed properties held for sale, net, which was due primarily to payment for land grant fees in respect of Sunac Glorious Mansion, Sunac Central Academy, Sunac Eton Manor, Sunac Long Beach Mansion and Sunac Royal Garden for an aggregate amount of RMB5,147.0 million and for our increased property development activities in 2011, and (ii) a RMB4,417.7 million increase in advanced proceeds from customers.

We had net cash used in operating activities of RMB1,577.8 million in 2010. Our net cash used in operating activities in 2010 was primarily attributable to (i) our profit before income tax of RMB2,597.1 million, which was adjusted mainly to account for finance costs of RMB186.8 million and our share of profit from associates and jointly controlled entities of RMB129.3 million, and (ii) changes in working capital representing a cash outflow of RMB3,922.4 million. Such changes in working capital consisted mainly of (i) a RMB3,234.1 million increase in properties under development and completed properties held for sale, which was due primarily to payment for land grant fees in respect of Sunac PL Du Pantheon and Sunac Royal Garden for an aggregate amount of RMB2,950.0 million and for our increased property development activities in 2010, and (ii) a RMB733.6 million decrease in trade and other payables, which was due primarily to the recognition of revenue from pre-sales for properties delivered in 2010.

*Net cash used in investing activities*

Net cash used in investing activities was RMB5,259.6 million in 2012. Our net cash used in investing activities in 2012 was due primarily to (i) cash paid for business combination, net, of RMB2,473.2 million relating primarily to our acquisition of the nine Greentown property projects and (ii) investments in associates of RMB1,794.3 million relating primarily to our investment in Beijing Poly Sunac Real Estate Co., Ltd. ("Beijing Poly Sunac") and Shanghai Woods Golf Real Estate Co., Ltd.

Net cash used in investing activities was RMB1,479.1 million in 2011. This was due primarily to (i) a RMB980.0 million payment for the 49% equity investment in Tianjin Poly Sunac, (ii) a RMB441.0 million prepayment for the land grant fees in respect of Sunac Laiguangying Project, and (iii) a RMB378.1 million net payment for the consideration and related expenses relating to our acquisition of equity interests in Chongqing Yatai and Sunac Hengji, partially offset by a dividend of RMB181.1 million from Sunac Hengji and the collection of RMB161.5 million from Sunac Hengji as repayment of a loan to such associate.

Net cash used in investing activities was RMB191.6 million in 2010. This was due primarily to a RMB320.1 million payment for the consideration and related expenses relating to our acquisition of an additional 40% equity interest in Chongqing Yatai and a 40% equity interest in APEV Property Management, partially offset by the collection of RMB131.5 million from Sunac Hengji as repayment of a loan to such associate.

*Net cash generated from financing activities*

Net cash generated from financing activities was RMB1,382.0 million in 2012. This was due primarily to the net proceeds from the offering of the 2012 Notes of RMB2,459.4 million, equity investments from non-controlling interests of RMB1,341.3 million and an increase in net borrowing of RMB1,297.4 million in 2012, partially offset by payments of interests and other finance costs of RMB1,817.3 million and guarantee deposits for bank borrowings of RMB1,685.9 million.

Net cash generated from financing activities was RMB2,959.5 million in 2011. This was due primarily to an increase in net borrowings of RMB3,178.2 million in 2011.

Net cash generated from financing activities was RMB4,303.4 million in 2010. This was due primarily to an increase in net borrowings of RMB3,021.4 million in 2010 and the proceeds from our initial public offering of RMB2,254.0 million, partially offset by the payment of RMB626.7 million for acquiring certain non-controlling interests consisting primarily of a 49% equity interest in Wuxi Sunac Real Estate.

**Restricted cash**

During the three years ended December 31, 2012, our restricted cash included (i) certain proceeds from pre-sales of properties, which may be used only for the construction of such properties; (ii) security deposits with respect to certain of our bank loans, and/or (iii) certain bank deposits maintained for purposes of obtaining notes payable. As of December 31, 2010, 2011 and 2012, the balance of such restricted cash was RMB291.1 million, RMB1,103.7 million and RMB3,868.7 million (US\$621.0 million), respectively.

**Indebtedness**

The carrying amounts of our borrowings are denominated in Renminbi and approximate their fair value. The following table shows our outstanding borrowings as of the dates indicated:

	<b>As of December 31,</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2012</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(US\$'000)</b>
				<b>(unaudited)</b>
<b>Current borrowings</b>				
Secured, borrowed from banks .....	225,000	–	255,000	40,930
Borrowed from other financial institutions				
– Secured .....	–	250,000	1,750,690	281,005
– Unsecured .....	46,000	46,000	318,807	51,172
	46,000	296,000	2,069,497	332,177
Borrowed from third parties .....				
– Secured .....	–	–	50,000	8,026
– Unsecured .....	–	–	2,080,000	333,863
	–	–	2,130,000	341,889
Current portion of long-term borrowings .....	796,620	1,957,900	7,328,050	1,176,233
Total current borrowings .....	1,067,620	2,253,900	11,782,547	1,891,229

	As of December 31,			
	2010	2011	2012	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(unaudited)
<b>Non-current borrowings</b> .....				
Borrowed from banks.....				
– Secured .....	3,580,113	7,098,600	9,314,430	1,495,069
– Unsecured .....	4,000	–	–	–
	<u>3,584,113</u>	<u>7,098,600</u>	<u>9,314,430</u>	<u>1,495,069</u>
Secured, borrowed from other financial institutions .....	1,237,620	3,650,000	4,996,710	802,027
Secured, borrowed from third parties ..	600,000	530,000	500,000	80,256
Senior notes.....	–	–	2,459,390	394,759
Less: current portion of long-term borrowings .....	(796,620)	(1,957,900)	(7,328,050)	(1,176,233)
Total non-current borrowings .....	<u>4,625,113</u>	<u>9,320,700</u>	<u>9,942,480</u>	<u>1,595,878</u>
Total .....	<u><u>5,692,733</u></u>	<u><u>11,574,600</u></u>	<u><u>21,725,027</u></u>	<u><u>3,487,107</u></u>

We had total borrowings of RMB21,725.0 million (US\$3,487.1 million) as of December 31, 2012, compared to RMB11,574.6 million as of December 31, 2011. The increase of RMB10,150.4 million in total borrowings was mainly attributable to a large amount of new PRC project loans and other financing facilities we obtained and the 2012 Notes we issued in 2012. We continue to enter into short-term and long-term borrowings in the ordinary course of business, including construction and project loans, to finance our operations. For more information on our material indebtedness, see “Description of Other Material Indebtedness.”

As of December 31, 2010, 2011 and 2012, the weighted average effective annual interest rate for our bank borrowings was 7.41%, 8.47% and 10.23%, respectively.

The following table shows the maturity profile of our long-term borrowings as of the dates indicated:

	As of December 31,			
	2010	2011	2012	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(unaudited)
<b>Borrowings</b>				
Within one year .....	796,620	1,957,900	7,328,050	1,176,233
Between one and two years .....	2,134,300	6,069,700	3,496,929	561,296
Between two and five years.....	2,490,813	3,251,000	6,445,551	1,034,582
<b>Total</b> .....	<u><u>5,421,733</u></u>	<u><u>11,278,600</u></u>	<u><u>17,270,530</u></u>	<u><u>2,772,111</u></u>

On October 16, 2012, we issued the 2012 Notes with a principal amount of US\$400 million at an interest rate of 12.5% per annum to finance new land acquisitions and for general corporate purposes. As of December 31, 2012, the entire principal amount of the 2012 Notes remains outstanding.

Consistent with others in the industry, we monitor capital on the basis of our gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and long-term borrowings) less restricted cash and cash and cash equivalents. Total capital is calculated as total equity plus net debt. As of December 31, 2010 and 2011 and 2012, our gearing ratio was approximately 24%, 51% and 44%, respectively. The decrease in our gearing ratio from 2011 to 2012 was mainly due to an increase in cash and cash equivalents and restricted cash as a result of the increase in the properties pre-sold in 2012.

### *Collateral*

Part of our borrowings as set forth above are secured borrowings from banks, other financial institutions and third parties. As of December 31, 2010, 2011 and 2012, our secured borrowings amounted to RMB5,643 million, RMB11,529 million and RMB19,326 million (US\$3,114 million), respectively, which were jointly secured by certain of our properties (including land use rights) as follows:

	As of December 31,			
	2010	2011	2012	2012
	(RMB (million))	(RMB (million))	(RMB (million))	(US\$ (million))
				(unaudited)
Properties under development .....	3,500	10,809	22,361	3,589
Completed properties held for sale ...	103	3,642	5,010	804
Investment properties .....	154	207	207	33
<b>Total</b> .....	<u>3,757</u>	<u>14,658</u>	<u>27,578</u>	<u>4,426</u>

In addition to the above, we have pledged our equity interests in certain of our PRC subsidiaries as collateral for certain loans in the PRC.

### **Guarantees for Mortgage Facilities**

We have arranged bank financing for certain purchasers of our properties and provided guarantees to secure the obligations of such purchasers for repayment of their mortgage loans. Such guarantees will generally terminate upon the earlier of (i) the issuance to the purchasers of the property ownership certificate, which generally takes place within an average period of two to three years after completion of the guarantee registration, and (ii) the satisfaction of obligations under the mortgage loans by the purchasers. Our guarantee period starts from the dates of grant of the mortgages. 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. See “Risk Factors – Risks Relating to Our Business – We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments.” As of December 31, 2010, 2011 and 2012, the financial guarantees provided by us in respect of mortgage facilities for certain purchasers of our properties amounted to RMB3,769.6 million, RMB1,975.7 million and RMB5,124.2 million (US\$822.5 million).

## Contractual Obligations

As of December 31, 2012, our contractual obligations in connection with our property development activities, other than loans and borrowings, amounted to RMB32,504.8 million (US\$5,217.4 million), primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our commitments for property development expenditure and investment in new associates as of the dates indicated:

	As of December 31,			
	2010	2011	2012	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(unaudited)
Property development expenditure				
– Contracted but not provided for.....	1,322,599	2,802,419	9,435,282	1,514,467
– Authorized but not contracted .....	13,782,381	20,397,774	22,596,327	3,626,961
	<u>15,104,980</u>	<u>23,200,193</u>	<u>32,031,609</u>	<u>5,141,428</u>
Investment in new associates				
– Contracted but not provided for ....	–	656,600	473,200	75,954
– Authorized but not contracted .....	575,460	1,137,400	–	–
	<u>575,460</u>	<u>1,794,000</u>	<u>473,200</u>	<u>75,954</u>
<b>Total .....</b>	<u><u>15,680,440</u></u>	<u><u>24,994,193</u></u>	<u><u>32,504,809</u></u>	<u><u>5,217,382</u></u>

The following table shows our minimum lease payments under non-cancelable operating leases as of December 31, 2012:

	Payments due by period					
	No later than one year		Later than one year and no later than five years		Total	
	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
		(unaudited)		(unaudited)		(unaudited)
Operating lease commitments.....	<u>3,162</u>	<u>508</u>	<u>18,464</u>	<u>2,964</u>	<u>21,626</u>	<u>3,471</u>

## Off-balance Sheet Commitments and Arrangements

Except for the guarantees for mortgage facilities and contractual obligations set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have retained or contingent interests in assets transferred to an unconsolidated entity or a similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets. We have not entered into any derivative contracts that are indexed to our ordinary shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. 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

Our activities expose us to a variety of financial risks, including interest rate risk, credit and liquidity risks, commodities risk, inflation or deflation risk and foreign exchange risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

### ***Interest rate risk***

Our income and operating cash flows are substantially independent from changes in market interest rates. We have no significant interest-bearing assets. Our exposure to changes in interest rates is mainly attributable to our long-term borrowings. Borrowings at variable rates expose us to cash flow interest-rate risk. See “Risk Factors – Risks Relating to Our Business – We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations.” Borrowings issued at fixed rates expose us to fair value interest-rate risk.

As of December 31, 2010, 2011 and 2012, if interest rates on bank borrowings had been 100 basis points higher or lower with all other variables held constant, our profit for the respective year would have been lower or higher by RMB6.7 million, RMB7.6 million and RMB5.7 million, respectively, and the capitalized interest for the three years ended December 31, 2010, 2011 and 2012 would have been higher or lower by RMB12.8 million, RMB43.1 million and RMB68.7 million, respectively.

We do not use any interest rate swaps to hedge our exposure to interest rate risk. We analyze our interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

### ***Credit and liquidity risks***

Our cash transactions are limited to high credit quality institutions. The extent of our credit exposure is represented by the aggregate balance of cash deposited in banks and trade and other receivables. We have arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments, and we bear an associated credit risk. See “– Liquidity and Capital Resources – Indebtedness.”

Our management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank borrowings to meet our construction commitments. Due to the dynamic nature of the underlying business, our finance department maintains flexibility in funding by maintaining adequate amounts of cash and cash equivalents and flexibility in funding through having available sources of financing.

### ***Commodities risk***

We are exposed to fluctuations in the prices of raw materials for our property development, including steel and cement. We do not engage in any hedging activities. Purchasing costs of raw materials are generally accounted for as part of the construction contractor fees pursuant to our arrangements with the relevant construction contractors. Accordingly, rising prices for construction materials can be expected to affect our construction costs in the form of increased fee quotes by our construction contractors and increased costs for such materials to the extent we bear such costs ourselves. As a result, fluctuations in the prices of our construction materials can be expected to have a significant impact on our business, financial condition and results of operations.

### ***Inflation or deflation risk***

According to the National Bureau of Statistics of China, the PRC’s overall national inflation rate, as represented by changes in the general consumer price index, was approximately 3.3%, 5.4% and 2.6% in 2010, 2011 and 2012, respectively. Although inflation or deflation has not had a significant effect on our business during the three years ended December 31, 2012, there can be no assurance as to its impact in future periods.

### ***Foreign exchange risk***

We conduct our business principally in Renminbi. As of December 31, 2012, all or substantially all of our assets and liabilities were denominated in Renminbi. Depending on the timing of the conversion of proceeds from this offering into Renminbi, an appreciation of the

Renminbi against the U.S. dollar would be likely to adversely affect the amount of Renminbi proceeds we receive from this offering. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service the Notes and any other foreign currency-denominated debts. See “Risk Factors – Risks Relating to the PRC – Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on our business and on your investment.”

### **Non-GAAP Financial Measures**

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

- finance costs, including capitalized finance costs under cost of sales;
- income tax expenses;
- net other gain or loss;
- gains from business combination;
- gains from acquisition of a associates;
- share of loss of associates;
- share of profit or loss of jointly controlled entities;
- depreciation;
- amortization of intangible assets and share option expenses;
- amortization of valuation surplus of acquired properties; and
- non-controlling interest.

EBITDA is not a standard measure under either HKFRSs or generally accepted accounting principles in the United States (“U.S. GAAP”). 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 HKFRSs and U.S. GAAP measure to EBITDA is profit for the year. We operate in a capital-intensive industry. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and share options expenses and finance costs, including capitalized finance costs under cost of sales. 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 and share option expenses amortization, finance costs, including capitalized finance costs under cost of sales and other non-operating items, EBITDA provides further information regarding 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 HKFRSs to our definition of EBITDA for the periods indicated:

	<b>As of December 31,</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2012</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(US\$'000)</b>
				<b>(unaudited)</b>
Profit for the year .....	1,540,991	2,383,072	2,614,740	419,695
Adjustments for:				
Finance costs (including capitalized finance costs under cost of sales).....	418,640	523,924	1,164,277	186,879
Income tax expenses .....	1,056,132	1,145,220	2,069,788	332,224
Loss/(gain) from fair value change of investment properties .....	–	75,900	(19,000)	(3,050)
Gains from business combination..	–	(835,430)	(154,916)	(24,866)
Gains from acquisition of associates .....	–	–	(119,957)	19,254
Share of loss of associates .....	(79,443)	–	–	–
Share of (profit)/loss of jointly controlled entities.....	(49,828)	(97)	–	–
Depreciation.....	4,321	7,496	8,706	1,397
Amortization of intangible assets and share option expenses.....	15,463	44,838	37,454	6,012
Valuation surplus of acquired properties included in cost of sales .....	–	483,468	519,446	83,377
Non-controlling interests .....	1,170	(26,904)	(7,440)	(1,194)
<b>EBITDA .....</b>	<b><u>2,907,446</u></b>	<b><u>3,801,487</u></b>	<b><u>6,113,098</u></b>	<b><u>981,220</u></b>

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



## INDUSTRY OVERVIEW

*The information in the section below has been derived, in part, from various official government publications and third-party professional databases unless otherwise indicated. Such information has not been independently verified by us, the Initial Purchasers, or any of our and their affiliates or advisors. The information may be incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC. You are advised to independently research more recent information that has been publicly released by official government publications or otherwise released for further information.*

### Key Drivers of the PRC Real Estate Industry

We believe the development of the PRC real estate industry is affected by a number of key drivers, including (i) economic growth; (ii) PRC government's real estate policies; (iii) urbanization; and (iv) availability of residential mortgages.

#### *Economic growth*

The PRC economy 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 at a CAGR of approximately 15.5% from approximately RMB26,581.0 billion in 2007 to approximately RMB47,310.4 billion in 2011, making China one of the fastest growing economies in the world.

The following tables set forth selected economic indicators of the PRC for the years indicated:

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2007- 2011 CAGR</b>
Nominal GDP (RMB billion)....	26,581.0	31,404.5	34,090.3	40,151.3	47,310.4	15.5%
Real GDP growth rate.....	14.2%	9.6%	9.2%	10.4%	9.3%	
Per capita nominal GDP (RMB).....	20,169	23,708	25,608	30,015	35,181	14.9%
Per capita real GDP growth rate.....	13.6%	9.1%	8.7%	9.9%	8.8%	

*Source: National Bureau of Statistics of China*

In 2007, China's real GDP recorded double-digit growth. In 2008, the global economic crisis caused a slowdown in the global capital and credit markets as well as the world economy, which in turn adversely affected the domestic market in China, including our target cities. In 2008, China's real GDP growth declined significantly to 9.6% compared to 14.2% in 2007. In view of the negative impact of the global economic crisis on the PRC economy, the PRC government launched a RMB4 trillion economic stimulus plan in November 2008. Since the inception of the economic stimulus plan, the PRC stock market has shown signs of recovery. Stock prices of companies in sectors such as real estate, construction, raw materials, machinery and energy have generally increased. In addition, the economic stimulus plan has had a positive impact on domestic consumption and demand in the PRC.

### *PRC government's real estate policies*

Real estate reforms in the PRC did not commence until the 1990s, prior to which the PRC property sector was part of the PRC's centrally planned economic system. In the 1990s, China's property sector began its transition to a market-based system, which significantly impacts the PRC property development industry. The PRC government from time to time introduces real estate policies with a view to influencing the development of the property sector. For a discussion of key real estate reforms and changes in PRC government policies, see "Regulation."

### *Urbanization*

Following the economic reforms beginning in late 1970s, the industrial and services sectors have gradually become the most important components in the PRC's economy, replacing the agricultural sector. This economic transformation has accelerated the urbanization process. The urban population in the PRC grew from 606.3 million in 2007 to 690.8 million in 2011. At the end of 2011, the urbanization rate in the PRC reached approximately 51.3%. Urbanization has fueled the development of the property development industry, especially residential properties, in urban regions of the PRC.

Our target cities have undergone rapid urbanization. In 2011, the urbanization rates of our target cities ranged from 55.0% to 89.3%, which were all higher than the national average of 51.3%. The following table sets forth the urbanization rates of China and our target cities in 2010 and 2011:

	<u>2010</u>	<u>2011</u>
<b>Urbanization rate</b>		
China .....	49.9%	51.3%
Beijing .....	86.0%	86.2%
Tianjin .....	79.5%	80.5%
Shanghai .....	88.9%	89.3%
Wuxi .....	70.3%	NA
Suzhou .....	70.1%	71.3%
Changzhou.....	63.2%	NA
Chongqing.....	53.0%	55.0%
Hangzhou .....	73.3%	73.9%

Sources: National Bureau of Statistics of China; Jiangsu Province Bureau of Statistics; Bureau of Statistics of Beijing and Chongqing

In addition to urbanization, China, including our target cities, has experienced a general growth of population. The following table illustrates the general growth of population of China and our target cities for the years indicated:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2007- 2011 CAGR</u>
	(million)					
<b>Population</b>						
China .....	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	0.5%
Beijing .....	16.8	17.7	18.6	19.6	20.2	5.4%
Tianjin .....	11.2	11.8	12.3	13.0	13.6	5.0%
Shanghai .....	20.6	21.4	22.1	23.0	23.5	3.3%
Wuxi .....	5.9	6.0	6.2	6.3	6.4	2.0%
Suzhou .....	8.5	9.0	9.3	10.5	10.5	5.5%
Changzhou.....	4.4	4.4	4.5	4.5	4.6	1.7%
Chongqing.....	28.2	28.4	28.6	28.8	29.2	0.9%
Hangzhou .....	8.1	8.2	8.3	8.7	8.7	2.0%

Sources: National Bureau of Statistics of China; Statistics Information Network of Jiangsu

### *Availability of residential mortgage*

Since the introduction of housing reforms and related government policies allowing individuals to purchase their own residential properties, the PRC residential mortgage market has grown significantly. In 2012, the aggregate balance of outstanding mortgage loans for residential properties in the PRC amounted to RMB8,100.0 billion. The following table sets forth the aggregate balance of outstanding mortgage loans for residential properties for the years indicated:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2007- 2011 CAGR</u>
Aggregate balance of residential mortgages outstanding (RMB billion).....	2,764.2	2,980.0	4,760.0	6,181.8	7,136.6	26.8%

Source: People's Bank of China

### **The PRC Real Estate Market Industry Overview**

#### *Demand, Supply and Price*

With the exception of 2008, demand for properties in China has increased significantly in recent years amid a favorable economic environment characterized by continued growth in per capita disposable income and rising living standards. The total GFA of commodity properties sold increased from approximately 773.5 million sq.m. in 2007 to approximately 1,093.7 million sq.m. in 2011, representing a CAGR of 9.0%. Meanwhile, driven by favorable market conditions and potential returns, investments in real estate development in the PRC grew rapidly from approximately RMB2,528.9 billion in 2007 to approximately RMB6,179.7 billion in 2011, representing a CAGR of 25.0%. The following table sets forth selected property market indicators relating to China for the years indicated:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2007- 2011 CAGR</u>
Investment in property development (RMB billion) ....	2,528.9	3,120.3	3,624.2	4,825.9	6,179.7	25.0%
Total sales of commodity properties (RMB billion) .....	2,988.9	2,506.8	4,435.5	5,272.1	5,858.9	18.3%
GFA of commodity properties completed (million sq.m.).....	606.1	665.4	726.8	787.4	926.2	11.2%
GFA of commodity properties sold (million sq.m.).....	773.5	659.7	947.6	1,047.6	1,093.7	9.0%
Average price of commodity properties sold (RMB/sq.m.) ...	3,864	3,800	4,681	5,032	5,357	8.5%

Source: National Bureau of Statistics of China

Property demand began to weaken in certain parts of China in the first half of 2008 and the situation deteriorated substantially in the second half of 2008 primarily because China's economy was negatively affected by the global economic crisis and consumer confidence in China declined significantly. Nonetheless, in 2009, China's property market rebounded in terms of both total GFA and average price of commodity properties sold. Compared to 2009, the total

sales of commodity properties in China increased by 18.9% to RMB5,272.1 billion in 2010 and the average price of commodity properties sold increased by 7.5% to RMB5,032.0 per sq.m. in 2010. Beginning in late 2009, the PRC government introduced a series of austerity measures in view of increasing concerns about the overheating of the property sector. According to the National Bureau of Statistics of China, the annual growth of total GFA of commodity properties sold in 2012 was 1.8%, compared to 4.4% in 2011.

### ***Property Development Revenue***

According to the National Bureau of Statistics of China, the total revenue of property developers in the PRC increased to approximately RMB4,499.1 billion in 2011 from approximately RMB2,339.7 billion in 2007, and the total operating profit increased to approximately RMB579.9 billion in 2011 from approximately RMB243.7 billion in 2007. The following table sets forth selected operating data for property developers in the PRC for the years indicated:

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2007-2011 CAGR</b>
	<b>(RMB billion)</b>					
Total revenue .....	2,339.7	2,669.7	3,460.6	4,299.6	4,499.1	17.4%
Revenue from sale of properties .....	2,160.4	2,439.4	3,250.8	4,058.5	4,169.8	17.9%
Revenue from lease of properties .....	38.7	52.1	54.4	74.3	90.4	23.7%
Operating profit .....	243.7	343.2	472.9	611.1	579.9	24.2%

Source: National Bureau of Statistics of China

### **Real Estate Industry in our Target Cities**

#### ***Beijing***

Beijing is the capital of the PRC. It is also the political, cultural and educational center of the PRC. Similar to Tianjin and Chongqing, Beijing is a municipality directly under the administration of the central government of the PRC. In addition, Beijing is home to a large number of corporate regional headquarters and its development is expected to continue at a rapid pace.

According to the Beijing Municipal Bureau of Statistics, Beijing had a population of approximately 20.2 million at the end of 2011. In 2011, its GDP reached approximately RMB1,625.2 billion, representing a per capita GDP of RMB81,658. The following tables set forth selected economic indicators relating to Beijing for the years indicated:

	<b>Beijing economic indicator</b>					<b>2007-2011 CAGR</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Beijing</b>	<b>China average</b>
GDP (RMB billion).....	984.7	1,111.5	1,215.3	1,411.4	1,625.2	13.3%	15.5%

Source: National Bureau of Statistics of China; Bureau of Statistics of Beijing

**Beijing per capita economic indicators**

	2007	2008	2009	2010	2011	% over	
						2011 China average	2011 China average
GDP (RMB) .....	60,090	64,491	66,940	73,856	81,658	35,181	132.1%
Disposable income for urban households (RMB) .....	21,989	24,725	26,738	29,073	32,903	21,810	50.9%

*Source: National Bureau of Statistics of China; Bureau of Statistics of Beijing*

**Tianjin**

Tianjin is located in the Bohai Rim of Northern China and is approximately 120 kilometers from Beijing, the capital of the PRC. Tianjin is one of the four municipalities directly under the administration of the central government of the PRC. It is one of the largest industrial and commercial cities and economic centers in Northern China, covering an area of approximately 11,900 square kilometers. Since the Jingjin Express Railway began service in August 2008, the travel time between Tianjin and Beijing has been shortened significantly, to approximately 30 minutes. According to Fortune's 2008 survey of the "Best Cities for Business" in China, Tianjin ranked first among Chinese cities in terms of the improvement in business environment and ranked second in terms of the potential for future development. In addition, Tianjin has been identified in the PRC's Eleventh Five-Year Plan for the period from 2006 to 2010 as a leader of the national financial reform. Property investment and demand in Tianjin are expected to remain strong.

According to the Tianjin Municipal Bureau of Statistics, Tianjin had a population of approximately 13.6 million at the end of 2011. In 2011, Tianjin's GDP reached approximately RMB1,130.7 billion, representing a per capita GDP of RMB85,213. The following tables set forth selected economic indicators relating to Tianjin for the years indicated:

**Tianjin economic indicator**

	2007	2008	2009	2010	2011	2007-2011 CAGR	
						Tianjin	China average
GDP (RMB billion).....	525.3	671.9	752.2	992.4	1,130.7	21.1%	15.5%

*Sources: National Bureau of Statistics of China; Bureau of Statistics of Tianjin*

**Tianjin per capita economic indicators**

	2007	2008	2009	2010	2011	% over	
						2011 China average	2011 China average
GDP (RMB) .....	47,970	58,656	62,574	72,994	85,213	35,181	142.2%
Disposable income for urban households (RMB) .....	16,357	19,423	21,402	24,293	26,921	21,810	23.4%

*Source: National Bureau of Statistics of China; Bureau of Statistics of Tianjin*

## Shanghai

Shanghai is one of the four municipalities directly under the administration of the central government of the PRC. It is the largest city by population in the PRC. Shanghai is situated at the mouth of the Yangtze River in the middle portion of the Chinese coast. It is the commercial and financial center and one of the main industrial centers of China. According to Forbes China's 2012 survey of the cities in China, Shanghai ranked first in terms of the best cities for business and ranked third in terms of the innovation ability. Moreover, Shanghai is a global city, with influence in commerce, culture, finance, media, fashion, technology, and transport. It is also a major financial center and the busiest container port in the world.

According to the National Bureau of Statistics of China, Shanghai had a population of approximately 23.5 million at the end of 2011. In 2011, its GDP reached approximately RMB1,919.6 billion, representing a per capita GDP of RMB82,560. The following tables set forth selected economic indicators relating to Shanghai for the years indicated:

	Shanghai economic indicator						
	2007	2008	2009	2010	2011	2007-2011 CAGR	
						Shanghai	China average
GDP (RMB billion).....	1,249.4	1,407.0	1,504.6	1,716.6	1,919.6	11.3%	15.5%

Source: National Bureau of Statistics of China; Bureau of Statistics of Shanghai

	Shanghai per capita economic indicators						% over	
	2007	2008	2009	2010	2011	2011 China average	2011	
							China average	China average
GDP (RMB) .....	62,040	66,932	69,165	76,074	82,560	35,181	134.7%	
Disposable income for urban households (RMB) .....	23,623	26,675	28,838	31,838	36,230	21,810	66.1%	

Source: National Bureau of Statistics of China; Bureau of Statistics of Shanghai

## Wuxi

Wuxi is located in Jiangsu Province, which is an economically developed province on the east coast of China. Wuxi is a well developed industrial city and, according to the Wuxi Bureau of Foreign Trade and Economic Cooperation, has attracted a large number of international companies, including many Fortune 500 companies. It has developed a number of large industrial parks, including the Wuxi-Singapore Industrial Park and Taihu New Town Science and Education Industrial Park, designed to promote high-tech industry. Because of its recent development, Wuxi is often referred to as the “little Shanghai.”

According to the National Bureau of Statistics of China, Wuxi had a population of approximately 6.4 million at the end of 2011. In 2011, Wuxi’s GDP reached approximately RMB688.0 billion, representing a per capita GDP of RMB107,437, which was one of the highest among cities in the PRC. The following tables set forth selected economic indicators relating to Wuxi for the years indicated:

	Wuxi economic indicators						2007-2011 CAGR	
	2007	2008	2009	2010	2011	Wuxi	China average	
	GDP (RMB billion).....	388.0	446.1	499.2	579.3	688.0	15.4%	15.5%

Source: National Bureau of Statistics of China; Bureau of Statistics of Wuxi

	Wuxi per capita economic indicators					% over	
	2007	2008	2009	2010	2011	2011 China average	2011 China average
GDP (RMB) .....	65,570	73,733	81,146	92,167	107,437	35,181	205.4%
Disposable income for urban households (RMB) .....	20,898	23,263	23,605	27,750	31,638	21,810	45.1%

Source: National Bureau of Statistics of China; Bureau of Statistics of Wuxi

## Suzhou

Similar to Wuxi, Suzhou is located in the economically developed province of Jiangsu on the east coast of China. Suzhou has traditionally been a renowned tourist destination and in recent years has also become home to many enterprises in the high-tech industry. As the Suzhou government continues to promote modern industrialization, Suzhou has developed many state and provincial level development zones and has attracted significant investment from many Fortune 500 companies.

According to the National Bureau of Statistics of China, Suzhou had a population of approximately 10.5 million at the end of 2011. In 2011, Suzhou's GDP reached approximately RMB1071.7 billion, representing a per capita GDP of RMB102,129. The following tables set forth selected economic indicators relating to Suzhou for the years indicated:

	Suzhou economic indicator						2007-2011 CAGR	
	2007	2008	2009	2010	2011	Suzhou	China average	
	GDP (RMB billion).....	585.0	707.8	774.0	922.9	1,071.7	16.3%	15.5%

Source: National Bureau of Statistics of China; Bureau of Statistics of Suzhou

	Suzhou per capita economic indicator						% over	
	2007	2008	2009	2010	2011	2011 China average	2011 China average	
	GDP (RMB) .....	69,151	78,875	83,696	93,043	102,129	35,181	190.3%
Disposable income for urban households (RMB).....	21,260	23,867	26,320	29,219	33,243	21,810	58.7%	

Source: National Bureau of Statistics of China; Bureau of Statistics of Suzhou

## Changzhou

Changzhou is located in the economically developed province of Jiangsu on the east coast of China. It is one of the most developed cities in Jiangsu, ranked third after Suzhou and Wuxi. The city is under fast development of industrialization and agricultural modernization, and has become an important industrial center for textiles, food processing, engineering and high technology.



According to the National Bureau of Statistics of China, Changzhou had a population of approximately 4.6 million at the end of 2011. In 2011, its GDP reached approximately RMB358.1 billion, representing a per capita GDP of RMB77,485. The following tables set forth selected economic indicators relating to Changzhou for the years indicated:

	<b>Changzhou economic indicator</b>						<b>2007-2011 CAGR</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Changzhou</b>	<b>China average</b>	
	GDP (RMB billion).....	191.4	226.6	252.0	304.5	358.1	17.0%	15.5%

Source: National Bureau of Statistics of China; Bureau of Statistics of Changzhou

	<b>Changzhou per capita economic indicators</b>						<b>% over</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2011 China average</b>	<b>2011 China average</b>	
	GDP (RMB) .....	44,452	51,746	56,890	67,327	77,485	35,181	120.2%
Disposable income for urban households (RMB) .....	19,089	21,234	23,392	25,875	29,559	21,810	35.5%	

Source: National Bureau of Statistics of China; Bureau of Statistics of Changzhou

### **Chongqing**

Chongqing is one of the four municipalities directly under the administration of the central government of the PRC. It lies to the east of Sichuan Province in the Three Gorges area on the upper stream of the Yangtze River. Chongqing is not only a commercial and industrial hub but also an inland transportation hub. It has the largest population among cities in China and covers an area of approximately 82,400 square kilometers, also the largest city by area in China. It is a key part of development under China's "Go West" policy introduced in 1999 to develop the western part of the country. According to the National Development and Reform Commission, the PRC government has recently approved the establishment of one of the first two Experimental Zones of the National Comprehensive Coordinated Urban and Rural Reforms (城鄉綜合配套改革試驗區) in Chongqing, which is expected to contribute to the continuous growth of the economy and the property market in the city.

According to the Chongqing Municipal Bureau of Statistics, Chongqing had a population of approximately 29.2 million as of December 2011. In 2011, Chongqing's GDP reached approximately RMB1,001.1 billion, representing a per capita GDP of RMB34,500. The following tables set forth selected economic indicators relating to Chongqing for the years indicated:

	<b>Chongqing economic indicator</b>						<b>2007-2011 CAGR</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Chongqing</b>	<b>China average</b>	
	GDP (RMB billion).....	467.6	579.4	653.0	792.6	1,001.1	21.0%	15.5%

Source: National Bureau of Statistics of China; Bureau of Statistics of Chongqing

	<b>Chongqing per capita economic indicator</b>						<b>% over</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2011 China average</b>	<b>2011 China average</b>	
	GDP (RMB billion).....	16,629	20,490	22,920	27,596	34,500	35,181	-1.9%
Disposable income for urban households (RMB) .....	12,591	14,368	15,749	17,532	20,250	21,810	-7.2%	

Source: National Bureau of Statistics of China; Bureau of Statistics of Chongqing

### **Hangzhou**

Hangzhou is the capital and largest city of Zhejiang Province in Eastern China, and also the center of the Hangzhou Metropolitan Area, which is the fourth-largest metropolitan area nationally. Hangzhou's economy has rapidly developed since its opening up in 1992. It is an important manufacturing base and logistics hub for coastal China. In addition to traditional industries such as light industry and textile, the city has also developed many new industries, including medicine, information technology, heavy equipment, automotive components, household electrical appliances, electronics, telecommunication, fine chemicals, chemical fiber and food processing. According to Forbes China's 2012 survey of the cities in China, Hangzhou ranked second in terms of the best cities for business.

According to the National Bureau of Statistics of China, Hangzhou had a population of approximately 8.7 million at the end of 2011. In 2011, its GDP reached approximately RMB701.9 billion, representing a per capita GDP of RMB80,748. The following tables set forth selected economic indicators relating to Hangzhou for the years indicated:

	<b>Hangzhou economic indicator</b>						<b>2007-2011 CAGR</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Hangzhou</b>	<b>China average</b>	
	GDP (RMB billion).....	410.0	478.9	508.8	594.9	701.9	14.4%	15.5%

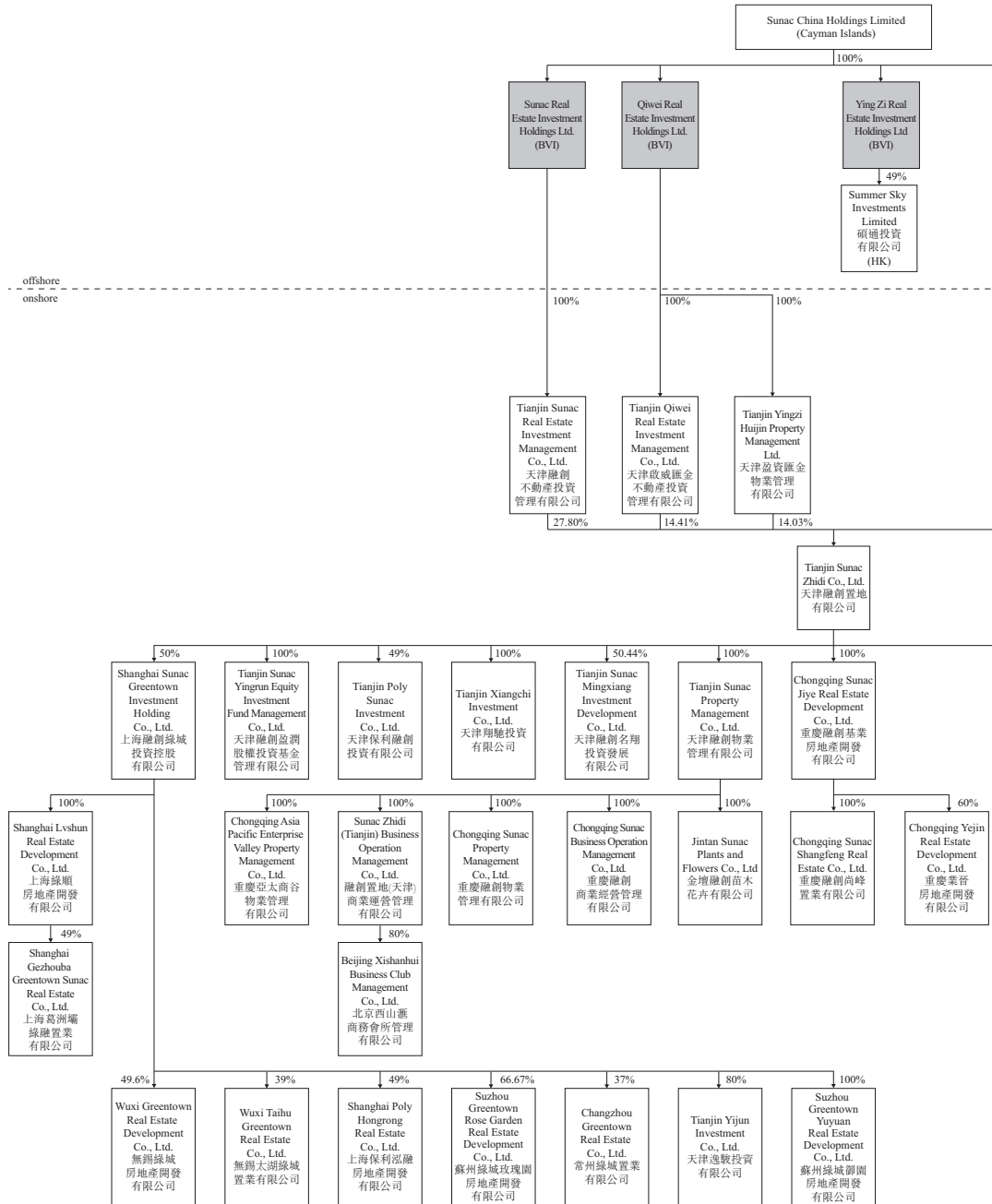
Source: National Bureau of Statistics of China; Bureau of Statistics of Hangzhou

	<b>Hangzhou per capita economic indicators</b>						<b>% over</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2011 China average</b>	<b>2011 China average</b>	
	GDP (RMB) .....	51,416	58,861	61,533	69,828	80,748	35,181	129.5%
Disposable income for urban households (RMB) .....	21,689	24,104	26,864	30,035	34,065	21,810	56.2%	

Source: National Bureau of Statistics of China; Bureau of Statistics of Hangzhou

## CORPORATE STRUCTURE

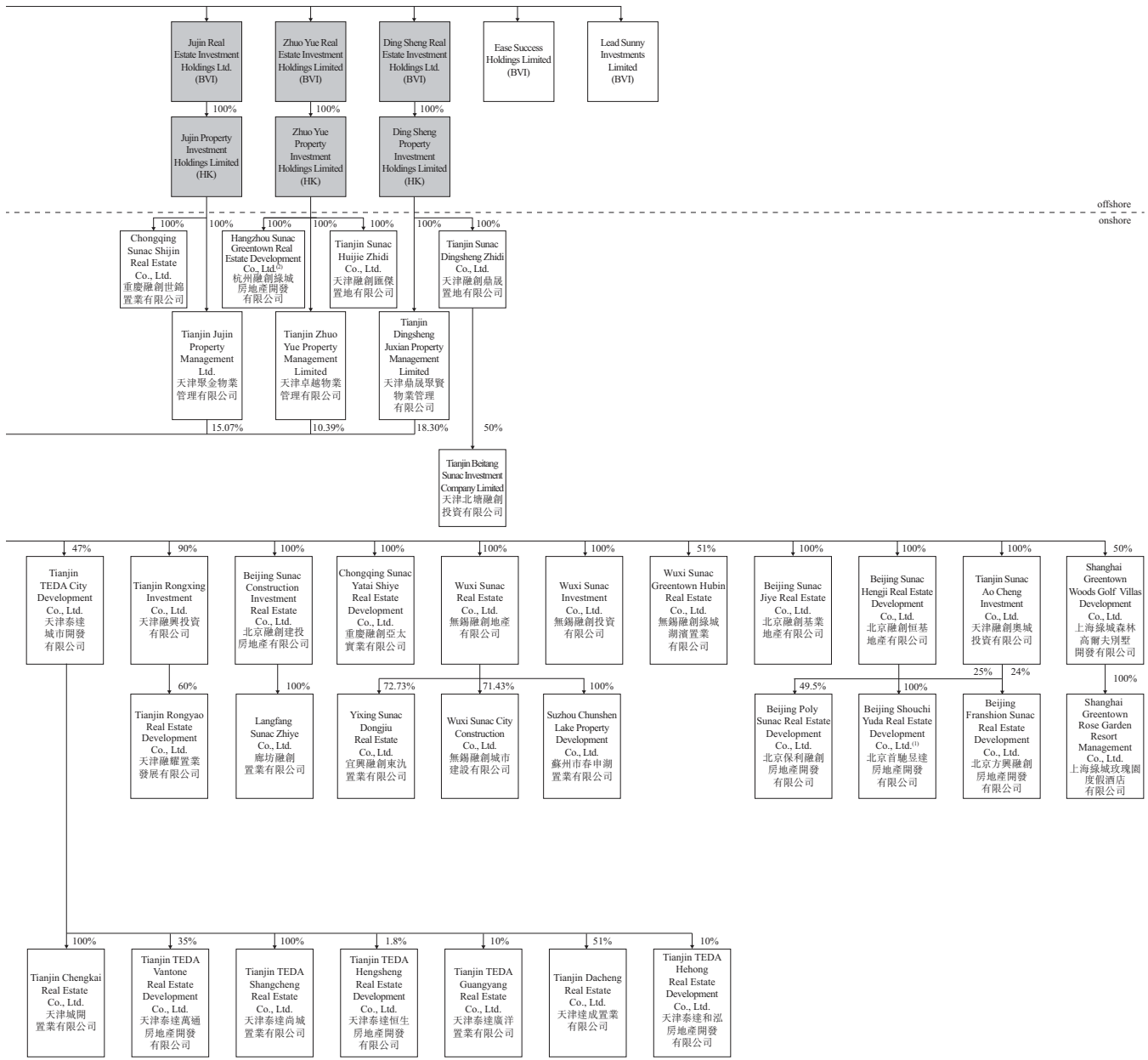
The following diagram sets forth our corporate structure as of the date of this offering memorandum:



■ Subsidiary Guarantor

**Note:**

- (1) As of the date of this offering memorandum, Beijing Shouchi Yuda Real Estate Development Co., Ltd. is in the process of being dissolved.
- (2) We entered into agreement to sell a 25% equity interest in Hangzhou Sunac Greentown Real Estate Development Co., Ltd. to Greentown Real Estate in January 2013. As of the date of this offering memorandum, this transaction has not been completed.



## BUSINESS

### Overview

We are an integrated residential and commercial property developer with a focus on high-end and high-quality property developments in selected cities in China. We currently focus on the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou and operate in eight strategically targeted cities which we believe have significant potential for economic growth, namely Beijing, Tianjin, Shanghai, Wuxi, Suzhou, Changzhou, Chongqing and Hangzhou. Since we commenced operations in Tianjin in 2003, we have successfully established a strong market position in Tianjin and have been active in expanding our business through our subsidiaries and associates to the other target cities. In 2012, we ranked 12th by sales amount among the top 50 real estate companies in China according to China Real Estate Information Corporation (中國房產信息集團) and China Real Estate Appraisal (中國房地產測評中心), fifth by sales amount among property developers in Beijing according to Sina Leju, first by sales amount among property developers in Tianjin according to SouFun.com, second by sales amount among property developers in Chongqing according to Chongqing Morning Post and first by sales amount among property developers in Wuxi according to CRIC. In recent years, we have won many awards for our significant achievements in the property sector nationwide or region-wide:

- We ranked eighth among the “2012 Top 10 Brands of China Real Estate Companies” (2012 中國房地產公司品牌價值TOP 10) and were recognized as one of the “Top 10 North China Real Estate Company Brands” (中國華北房地產公司品牌價值Top 10) for five consecutive years from 2007 to 2011 and one of the “Leading China Real Estate Company Brands for Urban Complexes” (中國房地產都市綜合體專業領先品牌) for four consecutive years from 2007 to 2010 by the China Real Estate Top 10 Research Team, an organization jointly established by the Enterprise Research Institute of the Development Research Center of the PRC State Council, the Real Estate Research Institute of Tsinghua University and the China Index Academy;
- We received the “Most Influential Real Estate Company in China in 2012” (2012年中國最具影響力地產企業) and “Most Valuable Public Real Estate Company in China in 2011” (2011年中國最具價值地產上市企業) awards at the Boao Real Estate Forum jointly sponsored by Guandian.cn, National Business Daily, Focus.cn, China Times, among others;
- In 2012, we ranked 17th on the “2012 Top 100 Chinese Public Real Estate Companies” (2012中國房地產上市公司百強) list, 14th on the “2012 Top 20 Corporate Brand Value of China Property Developers” (2012中國房地產企業品牌價值20強) list and fifth on the “2012 Top Five Operating Performance of Chinese Public Real Estate Companies” (2012中國房地產上市公司經營績效5強) list published by China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal; and
- In 2011, we received the “Excellent High-End Real Estate Enterprise in Mainland China” (大陸地區高端地產卓越企業) award by Chinese Golden Stone Award for Architecture (中華建築金石獎) given by Chinese Educational, Scientific and Cultural Development Association and the Organization Committee for the Chinese Golden Stone Award for Architecture.

We focus on the development of integrated residential and commercial properties. We develop a variety of residential properties for sale, including high-rise apartments, mid-rise apartments, townhouses and detached villas. We also develop various commercial properties primarily for sale as well as for lease, including retail stores, offices and serviced apartments. Many of our residential projects are large in scale, featuring a combination of residential properties integrated with value-added ancillary facilities such as clubhouses, retail stores, parking spaces and schools. Our commercial properties are typically large-scale commercial complexes combining retail space, offices, parking facilities and, in some cases, serviced apartments. We focus on delivering high-quality products and services to medium to high-income customers. During the three years ended December 31, 2012, we generated substantially all of our revenue from sales of residential and commercial properties.

Through our subsidiaries and associates, we have engaged in a total of 44 property development projects as of the date of this offering memorandum. As of December 31, 2012, these projects comprised completed properties, properties under development and properties held for future development with a total site area of approximately 9.3 million sq.m. and a total aggregate GFA of approximately 20.2 million sq.m. As of December 31, 2012, we, through our subsidiaries and associates, had delivered an aggregate GFA of approximately 6.6 million sq.m. and held a land bank of approximately 13.6 million sq.m. comprising (i) a completed aggregate GFA of approximately 1.1 million sq.m. held for sale or for investment, (ii) a planned aggregate GFA of approximately 4.7 million sq.m. under development, and (iii) a planned aggregate GFA of approximately 7.8 million sq.m. for future development. In addition, we entered into agreements with Beijing Vantone in December 2012 and January 2013, pursuant to which we agreed to acquire a minority interest in TEDA City with three property development projects in Tianjin. On March 16, 2013, we, Greentown China, China Gold and the sole shareholder of China Gold entered into a cooperative framework agreement, pursuant to which we and Greentown China conditionally agreed to acquire Golden Regal, which, through its subsidiaries, has one property development project in Shanghai. On March 14, 2013, we, Ying Zi Real Estate, a wholly owned subsidiary of ours, Summer Sky and Shimao entered into a share subscription agreement, pursuant to which Ying Zi Real Estate has agreed to subscribe for 49% equity interest in Summer Sky, which successfully bid a site located in Hangzhou.

For the years ended December 31, 2010, 2011 and 2012, our revenue was RMB6,653.8 million, RMB10,604.0 million and RMB20,842.6 million (US\$3,345.5 million), respectively, and our profit attributable to owners of the Company was RMB1,542.2 million, RMB2,356.2 million and RMB2,607.3 million (US\$418.5 million), respectively.

## Competitive Strengths

We believe that the following strengths of our Company will allow us to compete effectively in the property market in the PRC:

### *Proven ability to grow our business in strategically targeted cities with high growth potential*

Since we commenced operations in 2003, we, through our subsidiaries and associates, have developed and grown our business in a number of strategically targeted cities. We believe each of our target cities has high growth potential in terms of, among other factors, GDP, average income level outlook, development of urban infrastructure, property market supply and demand dynamics, and ability to attract purchasers from outside the city. In order to diversify market concentration risks, we have selected target cities located in different parts of China featuring complementary growth profiles and different stages of economic development. We believe the five regions in which our subsidiaries and associates currently operate could serve as an important platform in sustaining our business growth:

- *Beijing.* Beijing is the political and economic center of the PRC. While its property market is relatively mature, structural and investment demand has continued to grow steadily. Beijing's property transaction volumes and prices were among the first in the country to recover from the market downturn commencing in 2008.
- *Tianjin.* Tianjin is one of the four municipalities directly under the central government of the PRC, located at the center of the Bohai Rim region. The development of the Binhai New Area of Tianjin was included in the Eleventh Five-Year Plan and the Twelfth Five-Year Plan of the PRC for 2006 to 2010 and 2011 to 2015, respectively. In 2008, the State Council approved the Binhai New Area's Comprehensive Reform Proposal, which aims to develop the Binhai New Area of Tianjin as one of the major development zones in China. We expect Tianjin to continue to benefit from long-term regional growth and expect substantial property demand to continue to fuel the real estate market.
- *Shanghai.* The Shanghai region encompasses economically vibrant cities such as Shanghai, Wuxi, Suzhou and Changzhou, which we believe present a unique growth opportunity for us. For example, Shanghai is the financial center of China and Wuxi and Suzhou are some of the most affluent and well developed cities in the Yangtze River Delta region. Suzhou has also attracted significant investment from numerous Fortune 500 companies. While property price in Wuxi and Suzhou have stayed relatively low as compared to the other major cities with comparable economic development, we believe that these markets exhibit high growth potential for the foreseeable future.
- *Chongqing.* Chongqing is one of the four municipalities directly under the central government of the PRC (along with Beijing, Tianjin and Shanghai) and the key focus of long-term economic development and support under the central government's "Go West" plans. Designated as the economic, financial and logistics hub of the "Great West," Chongqing has continued to benefit from numerous policy incentives from the central government including preferential tax rates. In addition, Chongqing had a large population of approximately 29.2 million as of December 2011 and an increasing rate of urbanization. The property market has begun to grow rapidly in recent years and, given the relatively low property prices in Chongqing as compared to other similarly sized cities, we believe Chongqing's property market has significant room for future growth.



- *Hangzhou.* Hangzhou has been one of the most renowned and prosperous cities of China for a long history, due in part to its attractive beautiful scenery. As the capital and financial center of Zhejiang Province, Hangzhou has long been an economic and industrial center of eastern China. Benefiting from this strategic position, Hangzhou has witnessed substantial economic growth in recent years. Compared with the rapid economic growth, the property price in Hangzhou has been relatively reasonable over the past few years. We believe Hangzhou's property market also has significant potential for future growth.

***Successful track record in developing large-scale, integrated property projects***

The majority of our property development projects are large in scale and are developed in phases with pre-sales and delivery spanning over a number of years. For example, each of Sunac Magnetic Capital and Sunac Olympic Garden has a planned aggregate GFA of more than one million sq.m. and a development timeline of approximately 11 years. By focusing on developing large-scale properties and maintaining growth in average selling prices for each phase of a project, we have been able to achieve steady growth in revenue and significant growth in profit for the three years ended December 31, 2012. Our revenue increased at a CAGR of 77.0% from RMB6,653.8 million in 2010 to RMB20,842.6 million (US\$3,345.5 million) in 2012. Our profit for the year increased at a CAGR of 30.3% from RMB1,541.0 million in 2010 to RMB2,614.7 million (US\$419.7 million) in 2012. We expect to complete the remaining phases of most of our existing projects in the next three to five years and, as a result, believe our track record in developing large-scale projects provides a solid basis to predict future cash flow for that time period.

As our large-scale, integrated property projects are being completed in phases, we believe the gradual maturing of communities will help create new city or district centers in our target cities and provide us with valuable benefits, including:

- creating greater and sustainable economies of scale;
- enhancing the long-term appreciation in value of our property products, especially those in later project phases;
- enhancing our brand recognition and brand value both locally and regionally;
- facilitating our ability to obtain support from local authorities during our land acquisition and project development processes;
- enhancing our ability to meet different and changing preferences and demands of our customers in our target cities; and
- strengthening our position as a versatile property developer to capture growth opportunities as well as to meet challenges presented by changing regulatory environment and market conditions.

***Strong ability to maintain a high-quality land bank at a relatively low cost***

We, through our subsidiaries and associates, have a high-quality land bank in our target cities. Each of our land sites features some or all of the following geographic advantages:

- *superior locations*, such as in central business districts and areas identified by the government to be key development areas;
- *scenic views*, including views of the Meijiang Park in Tianjin, the valleys surrounding Sunac Olympic Garden in Chongqing, Lake Tai in Wuxi, Lake Chunshen in Suzhou, Xixi Wetlands in Hangzhou, Baiwang Mountain in Beijing and Yangtze River in Chongqing;

- *proximity to cultural, leisure and commercial facilities*, such as the Tianjin Olympic Sports Center, Water Park and Nancuiping Park in Tianjin and the Chongqing International Convention and Exhibition Center in Chongqing;
- *proximity to prominent educational institutions*, such as Tianjin University and Nankai University in Tianjin; and
- *convenient access to public transportation*, including, for example, subways, light transit railways and buses.

For the year ended December 31, 2012, our average unit land cost based on total GFA delivered was RMB4,482 per sq.m., which accounted for 25.9% of our average selling price per sq.m. of such properties. We believe that because of our experience and judgment as to the timing and potential of land acquisition opportunities, we, through our subsidiaries and associates, have been able to build a successful track record in identifying and acquiring land sites at relatively early stages in their long-term appreciation potential and therefore at relatively low costs. For example, in December 2008, we demonstrated considerable foresight in capitalizing on the PRC land market correction arising from the economic downturn for cost-effective land bank replenishment, and Beijing Sunac Hengji Real Estate Development Co., Ltd (“Sunac Hengji”) (formerly known as Shougang Sunac Real Estate Development Co., Ltd.), our associate at the time, acquired the land parcels in respect of the Sunac West Chateau project for a total land cost of RMB2,147.1 million, or RMB7,747 per sq.m. of planned above-ground GFA. The market value for this land had since risen to RMB6,515.0 million, or RMB23,834 per sq.m. of planned above-ground GFA, as of August 31, 2011, according to the valuation by DTZ, an independent property valuer.

#### ***Seasoned and cohesive management team with strong corporate governance***

Sun Hongbin, our Chairman and Chief Executive Officer, has more than 17 years of experience in real estate development in China. Many of our executive directors and senior management also have more than 14 years of property development experience in China, and all of them have obtained tertiary education or relevant professional qualifications. Some of our executive directors and senior management used to be core members of the Sunco Group’s management team and have worked cohesively as a team led by Mr. Sun even before the establishment of our Company. We believe they have benefited from their prior experience, which has helped them successfully grow our business over the years despite facing various challenges, including those arising from the PRC government’s macroeconomic control measures and the property market downturn caused by the global financial crisis.

Prior to our initial public offering, we brought in, among other financial institutions, CDH in 2007 and Bain Capital in 2009 as our investors. Each of CDH and Bain Capital has appointed a non-executive director to our board of directors. We believe that with the support and contribution of our financial investors, we have been able to further strengthen our corporate governance and execution capabilities. Our financial investors provide us with a second opinion and other valuable advice on key business decisions including corporate financial policies, land and project acquisitions, as well as major development decisions such as product positioning and marketing strategies. Furthermore, with our financial investors’ experience and expertise in adopting best practices in financial and management controls, we have been able to further strengthen our management systems and internal control procedures. We believe that having stable, long-term collaborative relationships with these sophisticated investors will help us maintain strong and solid long-term prospects as we continue to develop and grow our business.

### ***High-quality products with strong brand recognition***

We believe our products feature a high quality of design and construction, particularly in terms of spatial efficiency, construction innovation, environmental harmony and visual appeal. We have engaged internationally acclaimed design firms to design our projects. We are selective in choosing competent and reputable contractors through public tenders to construct our projects. In addition, we implement management and internal approval procedures designed to monitor and control the development process, to ensure consistently high-quality design and construction. In recognition of the quality of our property developments, our projects have received many prestigious awards, both national and regional, including the “Chinese Golden Stone Award for Architecture – Top Residential Brand” (中華建築金石獎頂尖居住品牌) for our Sunac Eton Manor project, “2012 Chinese Luxury Real Estate Golden Cauldron” (2012中國豪宅金鼎獎), the “World-class Luxury Residence in China” (世界級豪宅中國代表作) and the “Top Ten Fashion Projects in 2011 in China” (2011年度中國十大風尚樓盤) for our Sunac West Chateau project in 2011, the “Chinese Golden Stone Award for Architecture” (中華建築金石獎) for our Sunac Olympic Garden in 2010 and 2011, the “National Zhan Tianyou Gold Award for Excellent Residential Community in Chongqing in 2010” (2010全國詹天佑大獎重慶優秀住宅小區金獎) for our Sunac Olympic Garden project and the “Representative New Trend in Distinctive Chinese-style Property Development in China” award (中國特色地產新趨勢代表) for our Sunac Magnetic Capital project in 2010. We believe our focus on high-quality products and our endeavor to bring excellent value to our customers have contributed to the rapid growth of our brand recognition and brand value. We believe our strong brand recognition and proven execution capabilities, particularly in our current target cities, will continue to add to our competitive advantages in the region and enable us to expand our operations in the industry while achieving premium pricing on our future real estate products.

### ***Prudent cash flow management to maintain strong liquidity***

We have been able to maintain strong liquidity through prudent cash flow management. We consider cash flow management as a first priority in managing our operations. Our strong sales have helped ensure adequate cash inflow. We use committed sales, which include sales evidenced by binding pre-sale or sales contracts and sales confirmed by non-binding memorandums of understanding and non-refundable cash deposits, to measure our sales performance. We have achieved strong growth in sales in recent years, recording total committed sales of approximately RMB8,334.3 million, RMB19,209.1 million and RMB35,640.0 million and an average selling price of approximately RMB11,438 per sq.m., RMB16,092 per sq.m. and RMB17,800 per sq.m. in 2010, 2011 and 2012, respectively. We take a cautious approach toward land acquisition and strive to secure sources of funding before making any land acquisition. Through active control of unpaid land grant fee, we are able to reduce the pressure that off-balance sheet liabilities may pose on our cash flow and capital structure. Our cash balance has stayed at a reasonably high level for the three years ended December 31, 2012. As of December 31, 2012, our total cash and cash equivalents and restricted cash together amounted to RMB12,262.7 million (US\$1,968.3 million), while our total current borrowings amounted to RMB11,782.5 million (US\$1,891.2 million). We believe our prudent cash flow management and strong liquidity will enable us to further expand in our target markets, provide us with greater flexibility in capital management and help us sustain long-term growth.

## Business Strategies

We intend to implement the following business strategies in order to achieve our goal of becoming a leading property development company in China providing high-quality products and services to medium to high-income target customer segments:

***Reinforce and strengthen our position in the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou***

In 2012, we, through our subsidiaries and associates, acquired 22 projects in the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou with a total aggregate GFA of approximately 7.4 million sq.m., including an aggregate GFA attributable to us of approximately 3.7 million sq.m. We intend to continue to focus on the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou and further reinforce our competitive position in select cities in these regions. Each of these four regions is economically developed and has large and medium-sized cities populated with a significant number of medium to high-income potential customers with strong purchasing power. After years of property development operations in our target cities, we, through our subsidiaries and associates, have developed significant competitive strengths in most of the cities in which we operate. We intend to continue to aim to become a leading property developer in each of our target cities in order to capitalize on what we expect to be the significant demand in those cities and enhance our return on investment. We intend to continue to adopt a focused and disciplined approach in expanding our business by:

- prioritizing the development of our current projects, which we believe have significant potential for premium pricing and high investment return. We believe that with the experience and customer base we have gained from the development of the earlier phases of these projects, we should be able to execute our project development plan more effectively in the future, thus helping us significantly enhance our profits and investment return for these projects;
- leveraging our experience in our current target cities, our understanding of our target customers, and our strong relationships with local governments and other business partners, to acquire new parcels of land and develop new projects in these regions; and
- remaining open to potential opportunities in other cities in China, while solidifying and enhancing our position in our current target cities, to increase our geographical diversification and broaden our revenue base. In selecting and entering a new city, we intend to focus on cities within those five regions in order to fully leverage our management experience and established strengths in such regions. In addition, we may carefully consider cities with substantial potential for development in other regions.

In selecting a geographical market, we generally consider the growth potential and the stage of economic development of the city, the capital requirements and anticipated profitability of the particular projects involved, the distribution of target customers, our understanding of the local market and regulatory environments, as well as the availability of local management and sales talent.

***Maintain a high-quality land bank in a disciplined manner via diverse channels***

We intend to obtain information on land acquisition opportunities via diverse channels and conduct detailed analysis of such information. In assessing a particular site, we typically consider both the return on investment and the strategic positioning of the potential project in order to select and acquire land parcels that suit our development needs and provide substantial investment returns. We believe maintaining a high-quality land bank and at reasonable cost will assist us in prudently managing our cash flow and business operations while continuing to grow our business. This is especially important when we encounter material changes in government policies, laws and regulations or in industry or market trends. In particular, our land bank strategy includes:

- acquiring land in superior locations within central areas and close to distinct landmarks in the relevant cities, taking into account the development prospects of the land site, the concentration of medium to high-income potential customers and the market positioning of the potential project; we believe the selection of location is important for achieving premium pricing under various market conditions and may help mitigate declines in property prices when the property market weakens;
- acquiring an optimal amount of land reserves appropriate for future development over a period of four to five years on a rolling basis, which we believe is appropriate for medium to long-term planning without compromising our operational flexibility; and
- using a variety of channels, as well as our experience, market understanding and industry knowledge, to acquire land at reasonable cost, including, for example, by (i) acquiring interests in land from government entities through public tenders, auctions and listings-for-sale; (ii) purchasing from existing non-governmental land interest holders pursuant to land transfer agreements; and (iii) establishing joint ventures with companies which have acquired or are well-positioned to acquire interests in land or acquiring equity interests in other companies engaged in property development. For example, in March 2013, we and Greentown China conditionally agreed to acquire a company with one project development project in Shanghai and we and Shimao also agreed to jointly invest in a project in Hangzhou.

***Focus on delivering high-end and high-quality products and services to medium to high-income customers***

Our property development operations comprise project planning and design, construction, marketing and sales, and property management. We engage in or supervise each of these operations in order to assure the quality of our products and services. In carrying out our property development activities, our group headquarters centrally coordinate the planning of projects and implements standardized management, and our project companies work toward refining the detailed implementation plans based on local market and customer characteristics.

Our product strategy, in general, is to offer medium to high-income customers high-end and high-quality products that suit their needs. We intend to continue to, among other things:

- incorporate our understanding of the needs of our medium to high-income target customers into the planning of our projects, including such areas as community style, supporting facilities, property configurations and structures, marketing plans and service standards;
- focus on design as a core component of product quality to allow us to deliver high-quality products;

- maintain strict quality control of construction and product standards, which our customers may directly perceive, thereby to not only meet the standards set for the current positioning of a project but also achieve higher standards to provide differentiated product offerings; and
- pay meticulous attention to details as we believe refining product details is key to achieving high-end and high-quality products.

By executing this product strategy and leveraging our high-quality land bank, we intend to further upgrade our products and increase our offerings of properties that can be marketed at premium prices with respect to our selected projects. In order to achieve our product strategy as mentioned above, we intend to further strengthen our core competency in various parts of our property development operations. In terms of design, while we continue to enhance our design and research and development capabilities, we have been working with established design firms and architects to build long-term strategic partner relationships; we also have a specialized team at our group headquarters to take charge of key areas in research and development in order to build our knowledge base and skill set. In terms of construction, we intend to balance the needs of general and specialty contractors and continue to partner with established suppliers; we also endeavor to assure high quality of landscaping, interior design and other parts of our projects while maintaining control of the overall quality and costs. In addition, we intend to provide differentiated property management services as a key part of our product strategy and intend to promote caring and specialized property management services, such as providing distinctive services or organizing special activities based on our customer needs, to certain of our properties.

***Further strengthen our brand recognition and enhance our brand influence among our medium to high-income target customers***

We believe that a strong brand is a significant factor in our success. We intend to continue to promote our brand name by focusing on quality and innovation, providing good after-sales and property management services, and engaging in marketing initiatives such as advertising campaigns. We intend to continue to enhance the recognition of and loyalty to our “Sunac” corporate brand among existing and potential customers. To reflect our brand value and spirit, we have set our brand positioning as “passion for perfection” (至臻, 致遠). We, through our subsidiaries and associates, use the “Sunac” corporate brand in all our projects and enhance our brand and image by establishing landmark projects in our target cities.

We believe a strong brand helps us quickly sell or lease properties at premium prices, thereby significantly increasing our return on investment. In order to achieve premium pricing, we intend to continue to deliver high-quality products and services and further enhance customer satisfaction. In particular, we intend to continue to:

- conduct market research and leverage our experience to meet the needs and preferences of our target customers;
- leverage our prior experience and research to guide and help our recently acquired property management companies and relevant third-party property management companies to deliver enhanced after-sale services to our purchasers and tenants; and
- promote our “Sunac” corporate brand as well as the project brand in connection with each project, through a selection of marketing initiatives including advertising on a variety of media, such as television, newspapers and billboards.

***Continue to enhance our corporate governance, internal control, cash flow management and human resources practices***

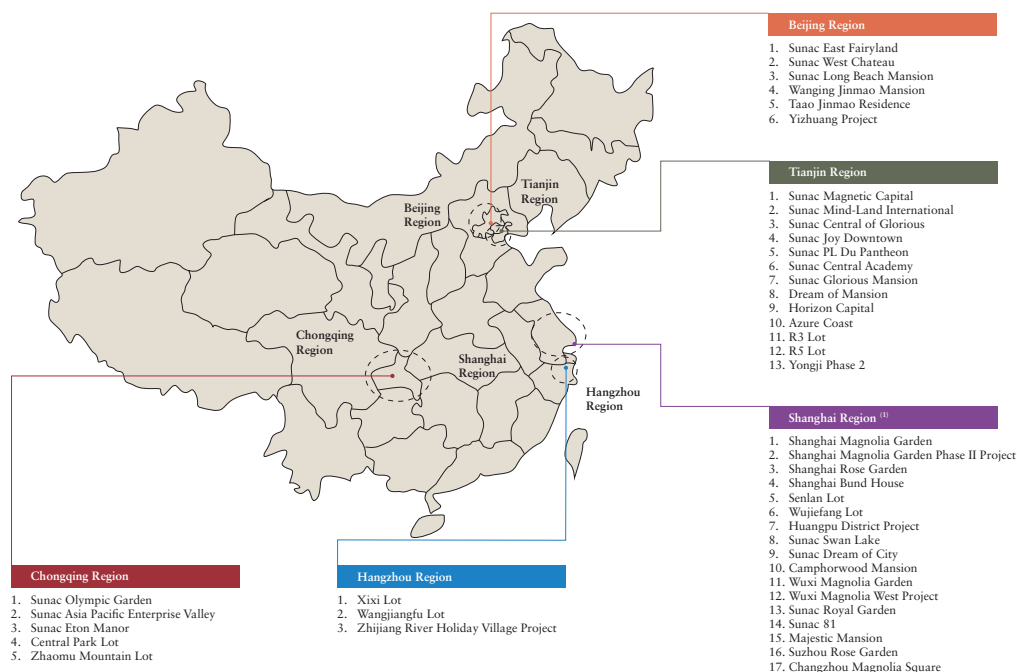
We intend to continue to adopt best practices and industry standards for corporate governance and internal control, and to continue to draw on our senior management's expertise and experience to facilitate our operations. For 18 months after our initial public offering in October 2010, we had engaged Protiviti Shanghai Co., Ltd., a third-party internal control advisor specializing in risk advisory and internal control related services, to periodically review and enhance our internal control systems. We plan to seek further external professional advice with regard to corporate governance and internal control matters. We intend to enhance our internal management by maintaining well defined responsibilities of each operating unit to ensure orderly and efficient operations and rapid responses to changing market conditions. We have been revamping our corporate management software and rolling out a comprehensive and integrated group-wide enterprise resource planning (ERP) system covering the entire project development value chain and project life cycle in order to enhance the efficiency, effectiveness and standardization of our operational management systems, thereby further supporting our business growth. The integration of core financial, business and human resources applications of the ERP has been successfully implemented, which has helped remove information barriers within our organization resulting in a more comprehensive, transparent and effective information platform. We have also been setting up an integrated operational analysis business intelligence system which helps us monitor our business operations, analyze and identify discrepancies and trends in operational issues to achieve pro-active intervention and faster analysis and decision-making. We have also introduced a cloud management system with intelligent terminals to allow mobile office functions and improve business efficiency. We aim to enhance our overall financial and cost control while preserving flexibility and efficiency at the project level.

In addition, we intend to continue to enhance our cash flow position by remaining cautious in our decision making with respect to operations and investments, including, for example, decisions as to whether to enter a new city, which new city to enter, how much land to acquire, how to acquire a particular parcel of land, when to launch pre-sales and execute sales, and what payment terms to agree to for our payables. We intend to also carefully manage our financing position and our proceeds from pre-sales and sales to maintain an adequate liquidity level and to explore a range of financing sources to maintain the availability of low-cost capital. Furthermore, we seek to further refine our internal evaluation and reward system to promote professionalism, initiative and team spirit among our employees and to cultivate our corporate culture. We plan to also continue to actively recruit new talent to optimize our human resources and enhance the productivity and competitiveness of our workforce.

## Property Development

### Overview of Our Property Development Business

Our business primarily focuses on the development of integrated residential and commercial properties, offering a wide range of products including high-rise apartments, mid-rise apartments, townhouses, detached villas, retail properties, offices, serviced apartments and parking spaces. As of the date of this offering memorandum, we, through our subsidiaries and associates, have engaged in a total of 44 property development projects in selected cities in China. The majority of these projects are located in the four municipalities that are under the direct administration of the central PRC government, including six projects in Beijing, 13 projects in Tianjin, seven projects in Shanghai and five projects in Chongqing. The remaining 11 projects are located in the provinces of Jiangsu and Zhejiang, including five in Wuxi, three in Suzhou, one in Changzhou and three in Hangzhou. The map below shows the geographical distribution of our property development projects as of the date of this offering memorandum:



(1) Includes Shanghai, Wuxi, Suzhou and Changzhou

In addition, we recently acquired from Beijing Vantone a 47% equity interest in TEDA City with three property development projects in Tianjin, from China Gold a 50% equity interest in Golden Regal with one property development project in Shanghai and from Shimao a 49% equity interest in Summer Sky which successfully bid a site located in Hangzhou.



We include in this offering memorandum the project names which our subsidiaries and associates have used, or intend to use, to market our properties. The following table sets forth certain project information based on actual data or our estimates as of the date of this offering memorandum.

Project	Location	Types of property products	Total site area <sup>(1)</sup>	Aggregate GFA <sup>(1)</sup>	Saleable/rentable GFA <sup>(1)</sup>	Actual/estimated	Interest attributable to us
						project completion date	
			(sq.m.)	(sq.m.)	(sq.m.)		(%)
Sunac East Fairyland (融創禧福匯)	Beijing	High-rise apartments, retail properties and parking spaces	54,502	166,481	144,276	November 2010	100%
Sunac West Chateau (融創西山壹號院)	Beijing	Mid-rise apartments, retail properties and parking spaces	190,665	439,901	334,657	December 2013	100%
Sunac Long Beach Mansion (融創長灘壹號)	Beijing	Mid-rise apartments, retail properties and parking spaces	63,940	133,956	103,326	June 2013	100%
Wangjing Jinmao Palace (望京金茂府)	Beijing	High-rise apartments, retail properties and parking spaces	54,485	148,657	97,951	December 2015	49% <sup>(2)</sup>
Yao Jinmao Residence (亞奧金茂悅)	Beijing	High-rise apartments, retail properties and parking spaces	84,684	247,174	138,253	November 2014	49% <sup>(2)</sup>
Yizhuang Project (亦莊項目)	Beijing	High-rise apartments, Mid-rise apartments, retail properties and parking spaces	132,792	420,821	365,932	December 2014	50% <sup>(2)</sup>
Sunac Magnetic Capital (融創奧城)	Tianjin	High-rise apartments, retail properties, offices, serviced apartments and parking spaces	460,840	1,247,672	1,193,228	December 2014	100%
Sunac Mind-Land International (融創海逸長洲)	Tianjin	High-rise apartments, detached villas, retail properties and parking spaces	497,501	809,386	749,250	December 2012	100%
Sunac Central of Glorious (融創·星美御)	Tianjin	High-rise and mid-rise apartments, town houses, retail properties and parking spaces	14,608	64,738	62,977	October 2012	100%
Sunac Joy Downtown (融創上谷商業中心)	Tianjin	Retail properties	25,234	56,615	55,960	June 2006	100%
Sunac PL Du Pantheon (融創王府壹號)	Tianjin	High-rise apartments, town houses, retail properties and parking spaces	70,633	241,770	227,382	December 2014	50%
Sunac Central Academy (融創中央學府)	Tianjin	High-rise and mid-rise apartments, retail properties and parking spaces	268,425	687,939	693,801	December 2016	100%
Sunac Glorious Mansion (融創君瀾)	Tianjin	High-rise and mid-rise apartments, retail properties and parking spaces	121,412	303,037	306,659	December 2013	100%
Dream of Mansion (融公館)	Tianjin	Mid-rise apartments, town houses, detached villas, retail properties, offices and parking spaces	120,058	193,728	193,967	June 2014	50% <sup>(2)</sup>
Horizon Capital (海河大觀)	Tianjin	High-rise and mid-rise apartments, retail properties, offices, serviced apartments and parking spaces	111,446	381,059	383,080	May 2017	49% <sup>(2)</sup>
Azure Coast (藍色海岸)	Tianjin	Retail properties, offices, serviced apartments and parking spaces	17,161	209,688	200,257	November 2017	40%

Project	Location	Types of property products	Total site area <sup>(1)</sup>	Aggregate GFA <sup>(1)</sup>	Saleable/rentable GFA <sup>(1)</sup>	Actual/estimated	Interest attributable to us
						project completion date	
			(sq.m.)	(sq.m.)	(sq.m.)		(%)
R3 Lot (R3地塊)	Tianjin	Retail properties, offices, serviced apartments and parking spaces	121,214	471,288	471,288	June 2017	24% <sup>(2)</sup>
R5 Lot (R5地塊)	Tianjin	High-rise apartments, retail properties and parking spaces	77,588	284,101	278,765	June 2016	24% <sup>(2)</sup>
Yongji Phase 2 (永基二期)	Tianjin	High-rise apartments, retail properties, offices and parking spaces	20,842	89,060	82,610	June 2015	24% <sup>(2)</sup>
Shanghai Magnolia Garden (上海玉蘭花園)	Shanghai	High-rise and mid-rise apartments and parking spaces	58,163	120,063	113,978	June 2013	50%
Shanghai Magnolia Garden Phase II Project (上海玉蘭花園二期)	Shanghai	High-rise and mid-rise apartments, retail properties and parking spaces	72,803	176,718	148,018	June 2015	25% <sup>(2)</sup>
Shanghai Rose Garden (上海玫瑰園)	Shanghai	Detached villas and retail properties	803,353	243,035	144,590	June 2015	50% <sup>(2)</sup>
Shanghai Bund House (上海黃浦灣)	Shanghai	High-rise apartments and parking spaces	65,758	370,184	224,162	November 2017	26%
Senlan Lot (森蘭地塊)	Shanghai	High-rise and mid-rise apartments, retail properties and parking spaces	75,091	179,946	117,832	October 2015	25% <sup>(2)</sup>
Wujiefang Lot (五街坊地塊)	Shanghai	High-rise and mid-rise apartments, retail properties and parking spaces	60,206	80,768	67,290	June 2015	25% <sup>(2)</sup>
Sunac Swan Lake (融創天鵝湖花園)	Wuxi	High-rise and mid-rise apartments, town houses, retail properties, serviced apartments and parking spaces	706,889	1,400,636	1,293,909	June 2014	100%
Sunac Dream of City (融創理想城市)	Wuxi	High-rise and mid-rise apartments, town houses, retail properties and parking spaces	570,182	1,052,907	955,591	December 2015	71%
Camphorwood Mansion (蠡湖香樟園)	Wuxi	High-rise apartments, detached villas, retail properties and parking spaces	203,070	706,473	646,706	December 2017	51%
Wuxi Magnolia Garden (無錫玉蘭花園)	Wuxi	High-rise apartments, retail properties and parking spaces	180,826	569,290	537,043	September 2015	43%
Wuxi Magnolia West Project (無錫玉蘭西項目)	Wuxi	High-rise apartments, serviced apartments, retail properties and parking spaces	171,572	493,074	455,453	December 2016	20% <sup>(2)</sup>
Sunac Royal Garden (融創汎園)	Wuxi	High-rise and mid-rise apartments, town houses, detached villas retail properties and parking spaces	268,945	469,734	394,438	December 2014	100%
Sunac 81 (融創81棟)	Suzhou	Town houses, detached villas, and retail properties	133,434	100,340	82,608	December 2012	100%
Majestic Mansion (蘇州御園)	Suzhou	High-rise apartments, detached villas, and parking spaces	155,664	218,340	123,070	December 2013	50%
Suzhou Rose Garden (蘇州玫瑰園)	Suzhou	Detached villas	213,852	249,302	127,090	June 2016	33%

Project	Location	Types of property products	Total site area <sup>(1)</sup>	Aggregate GFA <sup>(1)</sup>	Saleable/rentable GFA <sup>(1)</sup>	Actual/estimated	Interest
						project completion date	attributable to us
			(sq.m.)	(sq.m.)	(sq.m.)		(%)
Changzhou Magnolia Square (常州玉蘭廣場)	Changzhou	High-rise apartments, retail properties and parking spaces	413,252	1,480,924	1,398,748	December 2017	29%
Sunac Olympic Garden (融創奧林匹克花園)	Chongqing	High-rise and mid-rise apartments, town houses, detached villas, retail properties, offices, serviced apartments and parking spaces	1,647,343	2,620,468	2,067,032	December 2014	100%
Sunac Asia Pacific Enterprise Valley (融創亞太商谷)	Chongqing	High-rise apartments, retail properties, offices, serviced apartments and parking spaces	118,912	759,495	619,318	December 2014	100%
Sunac Eton Manor (融創伊頓莊園)	Chongqing	High-rise and mid-rise apartments, town houses, retail properties and parking spaces	179,204	401,616	299,798	December 2014	100% <sup>(3)</sup>
Central Park Lot (中央公園地塊)	Chongqing	High-rise and mid-rise apartments, town houses, and parking spaces	159,802	518,562	441,834	December 2015	100%
Zhaomu Mountain Lot (照母山地塊)	Chongqing	High-rise apartments, town houses, detached villas, retail properties and parking spaces	397,822	1,228,504	1,039,340	December 2017	60%
Xixi Lot (西溪地塊)	Hangzhou	Mid-rise apartments, town houses, and parking spaces	89,685	123,166	76,183	November 2014	75%
Subtotal			9,253,858	20,160,616	17,457,650		
<i>New projects in 2013</i>							
Huangpu District Project (黃浦區項目)	Shanghai	High-rise and mid-rise apartments, retail properties, offices, serviced apartments and parking spaces	113,842	724,439	717,610	2018	50%
Wangjiangfu Project (望江府項目)	Hangzhou	High-rise apartments, retail properties and parking spaces	20,480	125,662	58,442	July 2015	50% <sup>(2)</sup>
Zhijiang River Holiday Village Project (之江度假村項目)	Hangzhou	High-rise apartments, retail properties, offices, serviced apartments and parking spaces	58,184	250,153	250,153	2016	49% <sup>(2)</sup>
Subtotal			192,506	1,100,254	1,026,205		
<b>Total</b>			<b>9,446,364</b>	<b>21,260,870</b>	<b>18,483,855</b>		

*Notes:*

- (1) “Total site area,” “aggregate GFA” and “saleable/rentable GFA” of a project represent the respective site area and GFA data (sold or unsold), including those relating to certain land parcels held for future development for which we had not obtained the land use right certificates, of such project as a whole. Such data do not reflect the amounts attributable to us to the extent that our interest in a project is less than 100%.
- (2) We do not have a controlling interest in the project company engaged in this project and therefore do not consolidate its results into our consolidated financial statements.
- (3) Pursuant to a trust financing arrangement with Xinhua Trust, 50% of the equity interest in the project company engaged in Sunac Eton Manor has been legally transferred to Xinhua Trust as collateral. See “Description of Other Material Indebtedness – Other Financing Facilities – Xinhua Trust Financing.”

The following table sets forth the saleable/rentable GFA data, based on actual data or our estimates as of December 31, 2012, of our various property products, including properties in different stages of development and including those for which we had not obtained the land use right certificates.

	<b>Saleable/rentable</b>
	<b>(sq.m.)</b>
<b>Property type</b>	
Residential properties .....	13,064,185
High-rise apartments .....	9,817,921
Mid-rise apartments .....	1,975,971
Townhouses .....	735,781
Detached villas .....	534,513
Retail properties .....	1,384,111
Offices .....	519,799
Serviced apartments .....	542,027
Parking spaces .....	2,973,733
<b>Total</b> .....	<b>18,483,855</b>

Land use right certificates are the legal certification of the right of a party to use a parcel of land and are required to perfect the title of holders of property interests in land in the PRC. In general, upon the payment of land grant fees to the relevant land authorities, land use rights in the PRC are granted on the relevant land parcels for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for comprehensive-use properties. As of the date of this offering memorandum, our subsidiaries have obtained the land use right certificates for all completed properties held for sale or for investment, all properties under development, and all properties held for future development except for certain land parcels held for future development in respect of Zhaomu Mountain Lot, Central Park Lot, Sunac Olympic Garden, Xixi Lot and Changzhou Magnolia Square, for which we had entered into a confirmation with the relevant land authority but had neither entered into land grant contracts with the relevant land authorities nor obtained the land use right certificates.

The following table sets forth certain information relating to the land parcels that our subsidiaries have not obtained land use right certificates as of the date of this offering memorandum:

<b>Project</b>	<b>Location</b>	<b>Site area</b>	<b>Planned aggregate GFA</b>	<b>Outstanding land grant fee as of the date of this offering memorandum attributable to us</b>	<b>Expected date of obtaining land use right certificate</b>	<b>Interest attributable to us</b>
		(sq.m.)	(sq.m.)	(RMB million)		(%)
Zhaomu Mountain Lot .....	Chongqing	397,822	1,228,504	1,957	November 2014	60%
Central Park Project Lot .....	Chongqing	159,802	518,562	476	November 2014	100%
Sunac Olympic Garden .....	Chongqing	91,813	173,153	200	October 2013	100%
Xixi Lot .....	Hangzhou	89,685	123,166	5	April 2013	75%
Changzhou Magnolia Square ...	Changzhou	171,260	626,895	183	June 2014	29%
<b>Total</b> .....		<b>910,382</b>	<b>2,670,280</b>	<b>2,822</b>		

### *Status of Our Projects*

We categorize our properties into three types according to their stage of development:

- *Completed properties.* The development of a property is treated as completed when our subsidiary or associate has received the certificate of completion from the relevant local government authorities in respect of the property development;
- *Properties under development.* A property is treated as under development as soon as our subsidiary or associate has received the construction permit from the relevant local government authorities with respect to the property development but prior to the issuance of the certificate of completion; and
- *Properties held for future development.* A property is treated as held for future development when our subsidiary or associate has acquired and holds interests in the land relating to the property development, regardless of whether it has obtained the land use right certificates in respect thereof, but prior to the issuance of the construction permit. As such, our properties held for future development generally comprise land for which we have obtained the land use right certificates and, from time to time, also include land for which we have entered into a land grant contract but have yet to obtain the land use right certificates.

In relation to each category of properties in a project, we often refer to the following key times:

- the commencement time, which is the earliest time our subsidiary or associate starts, or plans to start, the construction of any properties in respect of the category;
- the pre-sale time, which is the earliest time our subsidiary or associate begins, or plans to begin, the sale of any properties in respect of the category prior to their completion; and
- the completion time, which is the latest time our subsidiary or associate obtains, or plans to obtain, the certificate of completion upon the completion of the last properties in respect of the category.

Typically, a project comprises multiple phases of property development on a rolling basis and each phase comprises multiple blocks or types of properties. Therefore, a project or a phase may simultaneously include properties in more than one of the three categories above.

A property is considered sold when revenue is recognized from the sale or pre-sale of the property upon the delivery of the property. A property is pre-sold when our subsidiary or associate has executed the pre-sale contract but has not yet received the certificate of completion. A property is delivered to the customer upon, among other things, (i) full payment by the customer, and (ii) the property being completed, inspected and accepted as qualified and the certificate of completion being received. The figures for completed GFA that appear in this offering memorandum are based on figures provided in the relevant government documents. The following information that appears in this offering memorandum is based on our internal records and estimates: figures for planned GFA under development, planned GFA for future development, GFA sold, GFA pre-sold, saleable GFA and non-saleable GFA, information regarding total development costs incurred (including land costs, construction costs and capitalized finance costs) and estimated future development costs (including land costs, construction costs and capitalized finance costs), planned construction period and number of units. The actual figures and construction schedules may differ from our current estimates in the future. The information setting forth the construction period for the completed phases of our projects in this offering memorandum is based on relevant government documents or our own internal records.

In 2012, our subsidiaries commenced construction of projects with a total aggregate GFA of approximately 2.1 million sq.m. and completed construction of projects with a total aggregate GFA of approximately 1.5 million sq.m. The following table sets forth certain information relating to our completed properties, properties under development and properties held for future development, including those for which we had not obtained the land use right certificates, based on actual data or our estimates as of December 31, 2012 unless otherwise stated. The GFA data of each project represents the relevant data of such project as a whole and does not reflect the amount of GFA attributable to us to the extent that our interest in such project is less than 100%.

Project	Location	Completed				Under development				Future development								
		Aggregate GFA (sqm.)	Saleable/rentable GFA (sqm.)	Aggregate GFA for unsold/held for investment (sqm.)	Saleable/rentable GFA for unsold/held for investment (sqm.)	Completion Time	Pre-sale Time	Commencement Time	Saleable/rentable GFA not yet presold (sqm.)	Saleable/rentable GFA (sqm.)	Completion Time	Pre-sale commencement Time	Commencement Time	Saleable/rentable GFA (sqm.)	Completion Time	Pre-sale commencement Time	Commencement Time	
Sinca East Fairland	Beijing	166,481	144,276	-	-	Nov. 2010	Jan. 2008	Apr. 2007	-	-	-	-	-	-	-	-	-	-
Sinca West Chateau	Beijing	331,532	230,782	101,946	77,129	Dec. 2012	Jul. 2011	Apr. 2010	83,856	76,818	Dec. 2013	Aug. 2011	Aug. 2011	-	-	-	-	-
Sinca Long Beach Mansion	Beijing	123,533	93,725	25,448	19,716	Dec. 2012	Oct. 2011	Sep. 2011	7,601	7,601	Jun. 2013	Sep. 2011	Oct. 2011	-	-	-	-	-
Wangjing Jimiao Palace	Beijing	-	-	-	-	-	-	-	88,151	88,151	Jun. 2015	Jun. 2012	Dec. 2012	26,100	9,800	Apr. 2014	2014	Dec. 2015
Yao Jimiao Residence	Beijing	-	-	-	-	-	-	-	137,615	86,922	Nov. 2014	May 2012	Oct. 2012	55,145	638	2013	2014	Nov. 2014
Yizhuang project	Beijing	-	-	-	-	-	-	-	-	-	Dec. 2014	Apr. 2011	Jul. 2011	420,821	366,592	May 2013	2013	Dec. 2014
Sinca Magnetic Capital	Tianjin	1,142,637	1,087,383	193,419	184,168	Dec. 2011	Apr. 2004	Mar. 2004	105,345	86,142	Dec. 2014	Apr. 2011	Jul. 2011	-	-	-	-	-
Sinca Mind Land International	Tianjin	809,386	749,250	27,076	25,065	Dec. 2012	Aug. 2004	Jul. 2004	-	-	-	-	-	-	-	-	-	-
Sinca Central of Glorious	Tianjin	64,738	62,977	405	392	Oct. 2012	Apr. 2010	Jul. 2009	-	-	-	-	-	-	-	-	-	-
Sinca Joy Downtown	Tianjin	56,615	53,960	12,870	12,721	Jun. 2006	Oct. 2004	Jul. 2004	-	-	-	-	-	-	-	-	-	-
Sinca PL Du Pantheon	Tianjin	-	-	-	-	-	-	-	142,351	94,963	Dec. 2014	Aug. 2011	Oct. 2011	9,981	85,032	Mar. 2013	Aug. 2013	Dec. 2014
Sinca Central Academy	Tianjin	17,946	18,159	-	-	Dec. 2012	Dec. 2011	Jun. 2011	280,721	135,155	Jun. 2014	Jun. 2011	Sep. 2011	394,229	394,921	Jan. 2013	Apr. 2013	Dec. 2016
Sinca Glorious Mansion	Tianjin	-	-	-	-	-	-	-	306,659	228,875	Dec. 2013	Aug. 2011	Aug. 2011	-	-	-	-	-
Dream of Mansion	Tianjin	-	-	-	-	-	-	-	22,822	21,735	Dec. 2013	Oct. 2012	Nov. 2012	170,916	170,916	Dec. 2013	Apr. 2013	Sep. 2014
Harizon Capital	Tianjin	-	-	-	-	-	-	-	133,604	95,270	Jun. 2015	Oct. 2012	Oct. 2012	247,456	247,456	May 2013	Aug. 2013	Aug. 2014
Azure Coast	Tianjin	-	-	-	-	-	-	-	106,487	102,471	Sep. 2016	May 2010	2013	103,201	97,786	May 2013	2015	Nov. 2017
R3 Lot	Tianjin	-	-	-	-	-	-	-	-	-	Oct. 2013	Jun. 2010	2013	471,288	471,288	Nov. 2013	2014	Jun. 2017
R5 Lot	Tianjin	-	-	-	-	-	-	-	94,366	44,748	Oct. 2013	Jun. 2011	2013	189,756	186,774	Mar. 2013	May 2013	Jun. 2016
Yueji Phase 2	Tianjin	-	-	-	-	-	-	-	-	-	Jun. 2013	Aug. 2010	2010	80,600	82,610	Mar. 2013	Apr. 2014	Jun. 2015
Shanghai Magnolia Garden	Shanghai	36,627	36,357	26,975	26,924	Dec. 2012	Jul. 2010	Jul. 2010	77,421	30,774	Jun. 2013	Aug. 2010	Aug. 2010	-	-	-	-	-
Shanghai Magnolia Garden Phase II Project	Shanghai	-	-	-	-	-	-	-	-	-	Jun. 2015	Aug. 2010	2010	176,718	148,018	Feb. 2013	Aug. 2013	Jun. 2015
Shanghai Rose Garden	Shanghai	165,867	98,917	26,783	15,972	Dec. 2012	Sep. 2004	Sep. 2004	45,673	41,618	Jun. 2015	Oct. 2010	2012	-	-	-	-	-
Shanghai Bund House	Shanghai	83,849	57,250	17,643	12,046	Apr. 2012	May 2007	May 2007	-	-	Nov. 2013	May 2007	2012	286,335	166,912	Jan. 2013	Oct. 2013	Nov. 2017

Project	Location	Completed						Under development						Future development					
		Aggregate GFA	Saleable/rentable GFA	Aggregate GFA unsold/held for investment	Saleable/rentable GFA unsold/held for investment	Commencement Time	Pre-sale Time	Completion Time	Aggregate GFA	Saleable/rentable GFA	Saleable/rentable GFA not yet pre-sold	Commencement Time	Pre-sale commencement Time	Completion Time	Aggregate GFA	Saleable/rentable GFA	Commencement Time	Pre-sale commencement Time	Completion Time
Senlan Ltd.	Shanghai	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wojiang Ltd.	Shanghai	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sinca Swan Lake	Wuxi	1,002,048	922,833	2,000,078	2,000,078	Jun. 2004	Sep. 2004	Dec. 2012	316,010	286,323	181,008	Oct. 2011	Oct. 2011	Dec. 2013	95,377	84,802	Oct. 2012	Mar. 2013	Dec. 2014
Sinca Dream of City	Wuxi	577,282	529,356	6,420	6,420	Jul. 2005	Sep. 2005	Jan. 2012	301,600	290,547	181,118	Aug. 2011	Sep. 2011	Dec. 2013	174,025	155,887	May 2013	Aug. 2013	Dec. 2015
Camphorwood Mansion	Wuxi	465,712	22,022	12,733	6,028	Jun. 2010	Dec. 2010	Oct. 2012	430,175	419,118	308,513	Jun. 2010	Nov. 2011	Dec. 2015	289,786	205,566	Oct. 2013	2014	Dec. 2017
Wuxi Magnolia Garden	Wuxi	468,311	429,823	202,176	193,839	Mar. 2009	Mar. 2009	Dec. 2012	-	-	-	-	-	Dec. 2012	120,979	107,220	Mar. 2013	Jul. 2013	Sep. 2015
Wuxi Magnolia West Project	Wuxi	-	-	-	-	Mar. 2011	Jun. 2011	Dec. 2012	178,096	158,105	143,817	Mar. 2012	Oct. 2012	Jun. 2015	314,978	297,348	Mar. 2013	Sep. 2013	Dec. 2016
Sinca Royal Garden	Wuxi	145,452	127,800	37,645	33,102	May 2008	Sep. 2009	Dec. 2012	153,453	124,892	88,023	May 2012	May 2012	Dec. 2013	170,830	141,646	Mar. 2013	Mar. 2013	Dec. 2014
Sinca 81	Suzhou	100,340	82,808	11,497	9,465	May 2008	Sep. 2009	Dec. 2012	218,540	123,070	90,848	Jun. 2010	Jun. 2010	Dec. 2013	-	-	-	-	-
Majestic Mansion	Suzhou	-	-	-	-	-	-	-	94,812	49,090	49,090	Dec. 2012	Jun. 2013	Jun. 2015	154,690	78,000	May 2013	Oct. 2013	Jun. 2016
Suzhou Rose Garden	Suzhou	-	-	-	-	-	-	-	298,495	279,418	202,337	Nov. 2011	Aug. 2012	Dec. 2014	1,182,429	1,193,330	May 2012	Aug. 2013	Dec. 2017
Changzhou Magnolia Square	Changzhou	-	-	-	-	-	-	-	287,226	221,523	59,535	Jun. 2012	Jun. 2012	Dec. 2013	456,060	322,995	Mar. 2013	Aug. 2013	Dec. 2014
Sinca Olympic Garden	Chongqing	1,907,082	1,522,514	116,182	92,753	Jul. 2004	Oct. 2004	Dec. 2012	324,131	271,539	213,432	Aug. 2012	Aug. 2012	Dec. 2013	-	-	Mar. 2013	Aug. 2013	Dec. 2014
Sinca Asia Pacific Enterprise Valley	Chongqing	435,364	347,779	425	340	Mar. 2007	Jun. 2007	Dec. 2011	296,456	219,397	89,231	Apr. 2012	Apr. 2012	Dec. 2013	105,160	80,401	Mar. 2013	Aug. 2013	Dec. 2014
Sinca Eton Manor	Chongqing	-	-	-	-	-	-	-	-	-	-	-	-	Dec. 2013	518,562	441,834	Apr. 2013	Aug. 2013	Dec. 2015
Central Park Lot	Chongqing	-	-	-	-	-	-	-	-	-	-	-	-	1,228,304	1,039,340	Apr. 2013	Apr. 2013	Dec. 2017	
Zhaomu Mountain Lot	Chongqing	-	-	-	-	-	-	-	-	-	-	-	-	123,166	76,183	Jun. 2013	Sep. 2013	Nov. 2014	
Xivi Lot	Hangzhou	-	-	-	-	-	-	-	-	-	-	-	-	250,153	250,153	Aug. 2013	Nov. 2013	Dec. 2016	
Subtotal		7,661,622	6,642,421	1,096,438	970,157				4,692,757	4,071,683	2,748,197			7,806,237	6,743,546				
<i>New projects in 2013</i>																			
Hangzhou District project	Shanghai	284,960	284,120	284,960	284,120	Apr. 2010	Apr. 2010	Jun. 2012	-	-	-	-	-	489,479	433,490	Aug. 2013	Oct. 2013	Oct. 2017	
Wangjiangli project	Hangzhou	-	-	-	-	-	-	-	-	-	-	-	-	125,662	58,442	Jul. 2013	Oct. 2013	Jul. 2015	
Zhejiang River Holiday Village Project	Hangzhou	-	-	-	-	-	-	-	-	-	-	-	-	250,153	250,153	Aug. 2013	Nov. 2013	Dec. 2016	
Subtotal		284,960	284,120	284,960	284,120				-	-	-	-	-	815,294	742,085				
<b>Total</b>		<b>7,946,582</b>	<b>6,926,541</b>	<b>1,381,398</b>	<b>1,254,277</b>				<b>4,692,757</b>	<b>4,071,683</b>	<b>2,748,197</b>			<b>8,621,531</b>	<b>7,485,631</b>				

While our business focuses on the development of integrated properties, we are developing a wide range of property products at different stages of development. The following table sets forth the planned saleable/rentable GFA data relating to each type of property product that was completed, under development or held for future development, including those for which we had not obtained the land use right certificates, based on actual data or our estimates as of December 31, 2012.

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	5,303,570	2,901,275	4,859,340	13,064,185
High-rise apartments .....	3,611,873	2,209,585	3,996,464	9,817,921
Mid-rise apartments.....	1,139,637	353,791	482,542	1,975,971
Townhouses.....	324,450	153,637	257,694	735,781
Detached villas.....	227,610	184,263	122,640	534,513
Retail properties.....	421,179	255,235	707,698	1,384,111
Offices .....	162,640	20,688	336,471	519,799
Serviced apartments .....	183,418	183,307	175,301	542,027
Parking spaces .....	855,734	711,177	1,406,822	2,937,733
Total .....	6,926,541	4,071,683	7,485,631	18,483,855

### *Description of Our Property Development Projects*

#### *Beijing*

##### Sunac East Fairyland (融創禧福匯)

Sunac East Fairyland is located in the Chaoyang District of Beijing and also in the greater Central Business District (the “CBD”) of Beijing. The CBD is becoming an international cosmopolitan center of businesses, exhibitions, hotels, residences, culture and entertainment. With an increasing number of office buildings including the China Central Television Tower, hotels and shopping centers, the CBD has attracted a large inflow of consumers and businesses. The 2008 Beijing Olympics has also driven the growth of infrastructure development in Beijing. The site of the project is readily accessible by public transportation and is relatively close to the subway station near Dawang Road.

Designed with the contrasting themes of elegance, modern simplicity and traditional Chinese architecture, we intend Sunac East Fairyland to develop into an international and modern garden-style residence with comprehensive commercial and communal facilities. The project was selected as a “Top Ten International High-end Community Among Cities with Changes and Influence over China” (“改變城市 • 影響中國”十大國際化高尚社區) by the College of Urban and Environmental Sciences of Peking University, the Peking University Real Estate Alumni Association, the Peking University Habitat and Environmental Center and the Beijing Property Market Magazine in 2007. It was also selected as a “Benchmark Property Development in Beijing” (京城標桿樓盤) by the Beijing News in 2007, the “Annual Most Influential Property Development Project” (年度最具影響力樓盤) by Sina.com in 2008 and 2009, and “Most Popular Property Development Project in 2009 in China” (2009年中國最具人氣樓盤) in the Ninth Annual Meeting for Chinese Commercial Real Estate.



The project comprises high-rise apartments, retail properties and parking spaces, with a site area of approximately 54,502 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 166,481 sq.m. The development of the project is not divided into multiple phases. Construction commenced in April 2007 and was completed in November 2010. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

Property type	Saleable/rentable GFA			Entire project (sq.m.)
	Completed	Under development	Future development	
	(sq.m.)	(sq.m.)	(sq.m.)	
Residential properties .....	128,288	–	–	128,288
High-rise apartments .....	128,288	–	–	128,288
Retail properties .....	9,287	–	–	9,287
Parking spaces .....	6,701	–	–	6,701
Total .....	144,276	–	–	144,276

As of December 31, 2012, we had completed the entire project which had a total saleable/rentable GFA of approximately 144,276 sq.m. They comprised high-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 128,288 sq.m., 9,287 sq.m., and 6,701 sq.m., respectively. As of December 31, 2012, 100.0% of the saleable/rentable GFA of the completed properties had been sold.

Sunac East Fairyland was developed by Shouchi Yuda, a PRC-incorporated company wholly owned by our wholly owned subsidiary Sunac Hengji. We acquired a 50% equity interest in Sunac Hengji from Sunco Land, which is currently owned by Road King Infrastructure Limited, in August 2007. We acquired the remaining 50% equity interest in Sunac Hengji from Beijing Shougang in September 2011. In connection with the transfer of Sunco Land's 50% equity interest in Sunac Hengji to us, we entered into an agreement dated May 31, 2007, pursuant to which we agreed that out of our share of dividends distributable from the entire project, 50% would be paid to Sunco Land as consideration for the 50% equity interest in Sunac Hengji. Such payments would be made to the transferor within seven business days from the distribution of any dividends but in any case no later than three months after the completion and inspection of the Sunac East Fairyland project. After netting off the amount payable to Sunco Land, we were effectively entitled to only 25% of the dividends distributable from the Sunac East Fairyland project, prior to our acquisition of the remaining 50% equity interest in Sunac Hengji.

#### Sunac West Chateau (融創西山壹號院)

Sunac West Chateau is located in the Xibeiwang Township in the Haidian District of Beijing. The Haidian District is well-recognized nationwide as an important base for the information technology industry and has many higher education institutions and tourist destinations. The project is well-located in a vicinity where we believe the demand for residential properties is strong and the supply of residential properties remains limited. We acquired the land for the project for an aggregate consideration of RMB2,010 million through a listing-for-sale process in December 2008.

We intend to develop Sunac West Chateau into a high-end residence consisting mainly of low-density mid-rise apartments and ancillary facilities. The project received the “2012 Chinese Luxury Real Estate Golden Cauldron” (2012中國豪宅金鼎獎) award at the ninth China Villa Fair jointly sponsored by China Index Academy, China Real Estate Index System and SouFun.com, the “International Quality Project of China in 2012” (2012年度中國國際化品質樓

盤) award at the 12th China Real Estate Development Annual Conference jointly sponsored by the Enterprise Research Institute of the Development Research Center of the PRC State Council, the Real Estate Research Institute of Tsinghua University, China Index Academy and SouFun.com. The project received the “World-class Luxury Residence in China” (世界級豪宅中國代表作) award at the Annual Real Estate Chart award ceremony jointly sponsored by the Real Estate Association of the All-China Federation of Industry & Commerce and iHome magazine in 2011. It was also selected as one of the “Top Ten Fashion Projects in 2011 in China” (2011年度中國十大風尚樓盤) at the 2011 Boao Real Estate Forum jointly sponsored by Guandian.cn, National Business Daily, Focus.cn, China Times and Securities Daily. The project received the “Golden Phoenix Luxury Residence Award” (金鳳凰豪宅典範大獎) at the 2010 Golden Phoenix Real Estate Summit sponsored by ifeng.com House and Phoenix Television in 2011. The project ranked second by sales amount among residential projects in Beijing in 2012, and emerged as one of the top three among all residential projects in terms of annual turnover in China in 2012 according to Sina Leju.

The project comprises mid-rise apartments, retail properties and parking spaces, with a site area of approximately 190,665 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 439,901 sq.m. The project is planned to be developed in three phases. Construction commenced in May 2010 and is scheduled for completion in December 2013. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	222,870	83,876	–	306,746
Mid-rise apartments.....	222,870	83,876	–	306,746
Retail properties .....	13,838	–	–	13,838
Parking spaces .....	14,073	–	–	14,073
Total .....	250,782	83,876	–	334,657

As of December 31, 2012, the completed properties of Sunac West Chateau had a total saleable/rentable GFA of approximately 250,782 sq.m. They comprised mid-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 222,870 sq.m., 13,838 sq.m. and 14,073 sq.m., respectively. As of December 31, 2012, approximately 69.2% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 83,876 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in August 2011 and is scheduled for completion in December 2013. Those properties are planned to comprise mid-rise apartments with a planned saleable/rentable GFA of approximately 83,876 sq.m. Pre-sales of these properties under development commenced in September 2012. As of December 31, 2012, approximately 8.4% of the saleable/rentable GFA of properties under development had been pre-sold.

Sunac West Chateau is being developed by Sunac Hengji, which was established in the PRC as a joint venture between us and Beijing Shougang in June 2005. We held a 50% equity interest in Sunac Hengji of the time. In December 2008, Sunac Zhidi entered into a profit sharing arrangement with Beijing Shougang, the other shareholder of Sunac Hengji, pursuant to which Sunac Zhidi was responsible for funding only 20% of the additional investments required for the project and, in return, would be entitled to only 35% of the net profit derivable from the entire project. In September 2011, we completed the acquisition of the remaining 50% equity interest in Sunac Hengji and obtained the right to receive all net profits from Sunac West Chateau.

### Sunac Long Beach Mansion (融創長灘壹號)

Sunac Long Beach Mansion is located in the Nanshao Town of the Changping District of Beijing. The project is in close vicinity of Mangshan Forest Park, Baifuquan Park and Shisanling Reservoir, an area known for its well-preserved natural environment. We, together with our joint venture partner Beijing Zhuzong Real Estate Development Co., Ltd. at the time, acquired the land for the project for an aggregate consideration of RMB960.2 million in December 2010 through a public tender process.

We intend to develop Sunac Long Beach Mansion into a high-end residential project, consisting mainly of mid-rise apartments, retail properties and parking spaces. The project has a site area of approximately 63,940 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 133,956 sq.m. Construction commenced in September 2011 and is scheduled for completion in December 2013. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

Type of property product	Saleable/rentable GFA			Total (sq.m.)
	Completed	Under development	Future development	
	(sq.m.)	(sq.m.)	(sq.m.)	
Residential properties .....	90,394	6,481	–	96,875
Mid-rise apartments.....	90,394	6,481	–	96,875
Retail properties .....	–	1,120	–	1,120
Parking spaces .....	5,331	–	–	5,331
Total .....	95,725	7,601	–	103,326

As of December 31, 2012, the completed properties of Sunac Long Beach Mansion had a total saleable/rentable GFA of approximately 95,725 sq.m. They comprised mid-rise apartments and parking spaces with a saleable/rentable GFA of approximately 90,394 sq.m. and 5,331 sq.m., respectively. As of December 31, 2012, approximately 79.4% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, the entire project with a total of approximately 7,601 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in September 2011 and is scheduled to be completed in June 2013. These properties are planned to comprise mid-rise apartments and retail properties with a planned saleable/rentable GFA of approximately 6,481 sq.m. and 1,120 sq.m. Pre-sales of these properties under development commenced in October 2011.

Sunac Long Beach Mansion is being developed by Beijing Sunac Jiye Real Estate Co., Ltd. (“Sunac Jiye”), a company incorporated in the PRC in which we hold a 51% equity stake. We initially set up this company as a joint venture, which was 60% owned by us and 40% owned by our joint venture partner Beijing Zhuzong Real Estate Development Co., Ltd. In May 2011, we acquired the 40% equity interest in this company from Beijing Zhuzong Real Estate Development Co., Ltd. for RMB8.0 million.

### Wangjing Jinmao Palace (望京金茂府)

Wangjing Jinmao Palace is located in Chaoyang District of Beijing. The project is situated in a traditional high-end residential area of Beijing and is in close vicinity of the Olympic Forest Park, golf courses, and several municipal parks. Sunac Ao Cheng and Sunac Hengji, two wholly owned subsidiaries of our Company, together with our joint venture partner Franshion Properties (China) Limited, acquired the land for the project and Yao Jinmao Residence for an aggregate consideration of RMB3,067.2 million in December 2011 through a listing-for-sale process.

We intend to develop Wangjing Jinmao Palace into a mid-to high-end residential project, consisting mainly of high-rise apartments, retail properties and parking spaces. The project has a site area of approximately 54,485 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 148,657 sq.m. Construction commenced in June 2012 and is scheduled for completion in June 2015. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
<b>Type of property product</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
Residential properties .....	–	88,151	–	88,151
High-rise apartments .....	–	88,151	–	88,151
Retail properties .....	–	–	9,800	9,800
Parking spaces .....	–	–	–	–
<b>Total .....</b>	<b>–</b>	<b>88,151</b>	<b>9,800</b>	<b>97,951</b>

As of December 31, 2012, the entire project with a total of approximately 88,151 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in June 2012 and is scheduled for completion in June 2015. These properties are planned to comprise high-rise apartments with a planned saleable/rentable GFA of approximately 88,151 sq.m. Pre-sales of these properties under development commenced in December 2012.

As of December 31, 2012, a total of approximately 9,800 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in April 2014 and to be completed in December 2015. These future developments are planned to comprise retail properties with a saleable/rentable GFA of approximately 9,800 sq.m. Pre-sales are expected to commence in 2014.

Wangjing Jinmao Palace is being developed by Beijing Franshion Sunac Real Estate Development Co., Ltd., a jointly controlled entity of our Company in which we hold a 49% equity interest. Its financial results are not consolidated into ours and only our 49% share of its profit or loss is recognized in our consolidated income statement.

#### Yao Jinmao Residence (亞奧金茂悅)

Yao Jinmao Residence is located in Chaoyang District of Beijing. The project is situated in a traditional high-end residential area of Beijing and is in close vicinity of the Olympic Forest Park, golf courses, and several municipal parks. Sunac Ao Cheng and Sunac Hengji, two wholly owned subsidiaries of our Company, together with our joint venture partner Franshion Properties (China) Limited, acquired the land for the project and Wangjing Jinmao Palace for an aggregate consideration of RMB3,067.2 million in December 2011 through a listing-for-sale process.

We intend to develop Yaa Jinmao into a mid-to high-end residential project, consisting mainly of high-rise apartments, retail properties and parking spaces. The project has a site area of approximately 84,684 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 247,174 sq.m. Construction commenced in August 2012 and is scheduled for completion in December 2013. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
<b>Type of property product</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
Residential properties .....	–	137,615	–	137,615
High-rise apartments .....	–	137,615	–	137,615
Retail properties .....	–	–	638	638
Parking spaces .....	–	–	–	–
<b>Total .....</b>	<b>–</b>	<b>137,615</b>	<b>638</b>	<b>138,253</b>

As of December 31, 2012, the entire project with a total of approximately 137,615 sq.m. of planned saleable/rentable GFA was under development. These properties are planned to comprise high-rise apartments with a planned saleable/rentable GFA of approximately 137,615 sq.m. Pre-sales of these properties under development commenced in October 2012. As of December 31, 2012, approximately 36.8% of the salable/rentable GFA of properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 638 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in 2013 and to be completed in November 2014. These future developments are planned to comprise retail properties with a saleable/rentable GFA of approximately 638 sq.m. Pre-sales are expected to commence in 2014.

Yaa Jinmao Residence is being developed by Beijing Franshion Sunac Real Estate Development Co., Ltd., an associate of our Company in which we hold a 49% equity interest. Its financial results are not consolidated into ours and only our 49% share of its profit or loss is recognized in our consolidated income statement.

#### Yizhuang Project (亦莊項目)

Yizhuang Project is located at the core residential area of Beijing Economic-Technological Development Area, which is the only state-level economic and technological development zone in Beijing. Poly (Beijing) Real Estate Development Co., Ltd. and us jointly acquired the land for the project for an aggregate consideration of RMB3,080.0 million through a listing-for-sale process in September 2012.

We intend to develop Yizhuang Project into a high-end residential project, consisting mainly of high-rise apartments, mid-rise apartments, retail properties and parking spaces. The project has a site area of approximately 132,792 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 420,821 sq.m. The development of the project is not divided into multiple phases. Construction commenced in May 2013 and is scheduled for completion in December 2014. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	-	-	282,423	282,423
High-rise apartments .....	-	-	217,423	217,423
Mid-rise apartments.....	-	-	65,000	65,000
Retail properties .....	-	-	22,000	22,000
Parking spaces .....	-	-	61,509	61,509
Total .....	-	-	365,932	365,932

As of December 31, 2012, a total of approximately 365,932 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in May 2013 and to be completed in December 2014. These future developments are planned to comprise high-rise apartments, mid-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 217,423 sq.m., 65,000 sq.m., 22,000 sq.m., and 61,509 sq.m. respectively. Pre-sales are scheduled to commence in 2013.

Yizhuang Project is being developed by Beijing Poly Sunac Real Estate Development Co., Ltd., an associate of our Company in which we hold a 49.5% equity interest.

#### *Tianjin*

##### Sunac Magnetic Capital (融創奧城)

Sunac Magnetic Capital is a property development located in the Nankai District of Tianjin, a downtown district characterized by its commercial, cultural, educational and technological developments. The project is situated in one of the prime locations in Tianjin. In August 2003, we successfully acquired the land interests by public tender at a price of RMB1,775.0 million. The vicinity features many scenic spots and destinations such as the Water Park, Tianjin Radio and TV Tower scenic area and Nancuijing Park; educational institutions such as Tianjin University and Nankai University; and large civil and cultural facilities such as the Tianjin Olympic Sports Center, Tianjin Grand Hotel, Tianjin Public Library and Zhou Enlai & Deng Yingchao's Memorial Hall. Following the completion of the Tianjin Olympic Sports Center in the area, Nankai District has attracted substantial property investments. With the development of financial and commercial businesses in the vicinity, the area has become a new city center in Tianjin.

Sunac Magnetic Capital is a modern integrated development that won over twenty industry awards from 2004, including the "Commercial Property with the Highest Investment Value in Tianjin in 2011" (2011天津最具投資價值商用物業) award given by SouFun.com in 2011, the "Chinese Commercial Property Trend Representative" (中國商業地產趨勢代表作) award given by the China Urban Development and Public Relations Association in 2010, the "Top 10 Landmarks in Tianjin in 2008" (2008年天津十大地標性項目) award given by Chinese Index Academy in 2008, the "Best Project Quality Award in Tianjin in 2007-2008" (2007-2008天津最佳項目質量獎) award given by Chinese Index Academy in 2008, the "Respectable Real

Estate Enterprise Brand in China” (中國值得尊敬的房地產品牌企業) awarded by the China Chief Media Real Estate Alliance in 2007, and the “Most Attractive Building in Asia” (亞洲最佳魅力樓盤) awarded by the Organizational Committee of the Asian Real Estate Summit in 2006. The project was the sales champion of the year among residential projects in 2011 in Tianjin according to 1stboard.cn.

The project comprises high-rise apartments, retail properties, offices, serviced apartments and parking spaces, with a site area of approximately 460,840 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 1,247,672 sq.m. The project is planned to be developed in eight phases. Construction commenced in March 2004 and is scheduled for completion in December 2014. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Entire project (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Property type</b>				
Residential properties .....	537,198	–	–	537,198
High-rise apartments .....	537,198	–	–	537,198
Retail properties .....	124,685	–	–	124,685
Offices .....	99,139	–	–	99,139
Serviced apartments .....	130,818	88,620	–	219,438
Parking spaces .....	196,144	16,625	–	212,769
Total .....	<u>1,087,983</u>	<u>105,245</u>	<u>–</u>	<u>1,193,228</u>

As of December 31, 2012, the completed properties of Sunac Magnetic Capital had a total saleable/rentable GFA of 1,087,983 sq.m. They comprised high-rise apartments, retail properties, offices, serviced apartments and parking spaces with a saleable/rentable GFA of approximately 537,198 sq.m., 124,685 sq.m., 99,139 sq.m., 130,818 sq.m. and 196,144 sq.m., respectively. As of December 31, 2012, approximately 83.1% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 105,245 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in April 2011 and is scheduled for completion in December 2014. These properties are planned to comprise serviced apartments and parking spaces with a saleable/rentable GFA of approximately 88,620 sq.m. and 16,625 sq.m., respectively. Pre-sales of these properties under development commenced in July 2011, and as of December 31, 2012, approximately 18.2% of the saleable/rentable GFA of the properties under development had been pre-sold.

Sunac Magnetic Capital is being developed by Tianjin Sunac Ao Cheng Investment Co., Ltd. (“Sunac Ao Cheng”), a wholly owned subsidiary of our Company incorporated in the PRC.

#### Sunac Mind-Land International (融創海逸長洲)

Sunac Mind-Land International is located in the Greater Meijiang area of Hexi District of Tianjin, which is defined as a high-end scenic residential district by the city’s urban planning authority. The project is adjacent to the 2.6 million sq.m. Meijiang Park and is characterized by its location on and views of the waterfront. We believe it has one of the most advantageous locations in the area and we believe that it has significant potential for appreciation in investment values.

With the high-income population group as its target customers, we, through Sunac Zhidi, have developed and positioned Sunac Mind-Land International as one of the high-end residential complexes in Tianjin. We intend to establish the project as an international, waterfront and green community centrally located in the city.

Sunac Mind-Land International has won many awards since 2004. For example, the project received the “Most Livable Residence in Tianjin in 2010” (2010年度天津宜居樓盤) award given by Sina Leju and Tianjin TV in 2010, the “Top 10 Properties with Beautiful Views in Tianjin in 2007” (2007年津城十佳美景樓盤) given by Tianjin Daily News in 2007, and the “China LivCom Project Awards” (世界最宜居住宅項目獎) at the International Awards for Liveable Communities endorsed by the United Nations Environment Program in 2006.

The Sunac Mind-Land International project comprises high-rise apartments, detached villas, retail properties and parking spaces, with a site area of approximately 497,501 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 809,386 sq.m. The project is planned to be developed in six phases. Construction commenced in July 2004 and was completed in December 2012. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Entire project (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Property type</b>				
Residential properties .....	632,069	–	–	632,069
High-rise apartments .....	590,923	–	–	590,923
Detached villas.....	41,146	–	–	41,146
Retail properties .....	22,702	–	–	22,702
Parking spaces .....	94,479	–	–	94,479
Total .....	749,250	–	–	749,250

As of December 31, 2012, we had completed the entire project which had a total saleable/rentable GFA of approximately 749,250 sq.m. They comprised high-rise apartments, detached villas, retail properties and parking spaces with a saleable/rentable GFA of approximately 590,923 sq.m., 41,146 sq.m., 22,702 sq.m. and 94,479 sq.m., respectively. As of December 31, 2012, approximately 96.7% of the saleable/rentable GFA of the completed properties had been sold.

Sunac Mind-Land International is being developed by Sunac Zhidi, a wholly owned subsidiary of our Company incorporated in the PRC.

#### Sunac Central of Glorious (融創•星美御)

Sunac Central of Glorious is being developed in the Heping District of Tianjin, an established commercial, financial and political center of Tianjin Municipality in which many of Tianjin’s businesses and government offices are located. The vicinity has many well-established schools providing primary, secondary and tertiary education, as well as numerous retail properties, offices, and entertainment and community facilities.



We intend to develop Sunac Central of Glorious into a high-end residential complex that comprises high-rise and mid-rise apartments, townhouses, retail properties and parking spaces. The project has a site area of approximately 14,608 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 64,738 sq.m. The development of the project is not divided into multiple phases. Construction commenced in July 2009 and was completed in October 2012. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Entire project (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Property type</b>				
Residential properties .....	45,772	–	–	45,772
High-rise apartments .....	38,965	–	–	38,965
Mid-rise apartments.....	3,736	–	–	3,736
Townhouses.....	3,072	–	–	3,072
Retail properties.....	4,807	–	–	4,807
Parking spaces .....	12,398	–	–	12,398
Total.....	62,977	–	–	62,977

As of December 31, 2012, we had completed the entire project which had a total saleable/rentable GFA of approximately 62,977 sq.m. They comprised high-rise apartments, mid-rise apartments, townhouses, retail properties and parking spaces with a saleable/rentable GFA of approximately 38,965 sq.m., 3,736 sq.m., 3,072 sq.m., 4,807 sq.m. and 12,398 sq.m., respectively. As of December 31, 2012, approximately 99.4% of the saleable/rentable GFA of the completed properties had been sold.

Sunac Central of Glorious is being developed by Tianjin Xiangchi Investment Co., Ltd. (“Tianjin Xiangchi”), a wholly owned subsidiary of our Company incorporated in the PRC.

#### Sunac Joy Downtown (融創上谷商業中心)

Sunac Joy Downtown, similar to Sunac Magnetic Capital, is located in the Nankai District of Tianjin. It is adjacent to Weijin South Road, which was the main “welcoming pathway” for the 2008 Beijing Olympics in the Tianjin games zone. The area is surrounded by two tourist destinations in Tianjin, namely the Water Park and the Tianjin Radio and TV Tower.

We designed Sunac Joy Downtown to be an all-in-one dining, retail and entertainment center that is able to offer consumers a distinctive environment and experience. It was completed in June 2006. It has become a popular dining, retail and entertainment destination in Tianjin and has won many industry awards, including the prestigious awards of the “Outstanding Commercial Property Development Project in China” (中國優秀商業地產項目) given by the CIHAF (中國住交會) in 2004 and the “Top Ten Major Commercial Property Development Project” (商業地產十大主流項目) given by the China Commercial Real Estate Union in 2004.

Sunac Joy Downtown comprises solely retail properties for sale and lease. It has a site area of approximately 25,234 sq.m. and an aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 56,615 sq.m. Construction commenced in July 2004 and the entire project was completed in June 2006. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

Property type	Saleable/rentable GFA			
	Completed	Under development	Future development	Entire project
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Residential properties .....	55,960	–	–	55,960
Vacant for sale/lease.....	181	–	–	181
Leased.....	12,540	–	–	12,540
Sold.....	43,240	–	–	43,240
Total .....	55,960	–	–	55,960

As of December 31, 2012, we had completed the entire project which had a total saleable/rentable GFA of approximately 55,960 sq.m. We had sold approximately 43,240 sq.m. and leased approximately 12,540 sq.m. of saleable/rentable GFA as of December 31, 2012. We held the remaining approximately 181 sq.m. of saleable/rentable GFA for sale or lease.

Sunac Joy Downtown was also developed by Sunac Zhidi, a wholly owned subsidiary of our Company incorporated in the PRC.

#### Sunac PL Du Pantheon (融創王府壹號)

Sunac PL Du Pantheon is located at the core area of the Nankai District of Tianjin. The area is well developed and readily accessible by public transportation. It is also close to established universities such as Nankai University and Tianjin University, hospitals and hypermarkets. We acquired the land for RMB1,780 million in March 2010 through a listing-for-sale process.

We intend to develop Sunac PL Du Pantheon into a high-end property project, consisting mainly of high-rise apartments, detached villas, retail properties and parking spaces. The project has a site area of approximately 70,633 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 241,770 sq.m. It is planned to be developed in three phases. Construction commenced in August 2011 and is scheduled for completion in June 2015. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

Property type	Saleable/rentable GFA			
	Completed	Under development	Future development	Entire project
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Residential properties .....	–	86,462	55,220	141,682
High-rise apartments .....	–	86,462	53,403	139,865
Detached villas.....	–	–	1,817	1,817
Retail properties .....	–	16,422	13,973	30,395
Parking spaces .....	–	39,467	15,839	55,306
Total .....	–	142,351	85,032	227,382

As of December 31, 2012, a total of approximately 142,351 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in August 2011 and is scheduled for completion in December 2014. These properties are planned to comprise high-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 86,462 sq.m., 16,422 sq.m. and 39,467 sq.m., respectively. Pre-sales of these properties under development commenced in October 2011, and as of December 31, 2012, approximately 33.3% of the saleable/rentable GFA of the properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 85,032 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in April 2013 and to be completed in December 2014. These future developments are planned to comprise high-rise apartments, detached villas, retail properties and parking spaces with a saleable/rentable GFA of approximately 53,403 sq.m., 1,817 sq.m., 13,973 sq.m. and 15,839 sq.m., respectively. Pre-sales are expected to commence in April 2013.

Sunac PL Du Pantheon is being developed by Sunac Mingxiang, a 50.4%-owned subsidiary of our Company incorporated in the PRC. Sunac Mingxiang was incorporated as a wholly owned subsidiary of our Company in April 2010. In April 2012, Daye Trust acquired a 49.6% equity interest in Sunac Mingxiang from Sunac Zhidi for a cash consideration of RMB594.7 million. At the same time, Sunac Mingxiang received capital injections in the amount of RMB109.5 million from Daye Trust and RMB111.4 million from us. As a result, Sunac Mingxiang is held as to 50.4% by us and 49.6% by Daye Trust Scheme II.

#### Sunac Central Academy (融創中央學府)

Sunac Central Academy is located at the Haihe Education Park in Tianjin. The Haihe Education Park is a model higher education center set by the PRC national government and is geographically well connected to both the city center of Tianjin and the Binhai New District. We acquired the land for the project for an aggregate consideration of RMB1,879.1 million in January 2011 through a listing-for-sale process.

We intend to develop Sunac Central Academy into a high-end project, consisting mainly of high-rise and mid-rise apartments, retail properties and parking spaces. The project has a site area of approximately 268,425 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 687,939 sq.m. It is planned to be developed in five phases. Construction commenced in June 2011 and is scheduled for completion in December 2016. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	<b>Entire project</b>
	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
<b>Property type</b>				
Residential properties .....	18,159	224,843	312,340	555,341
High-rise apartments .....	–	198,238	278,656	476,894
Mid-rise apartments.....	18,159	26,605	33,684	78,448
Retail properties .....	–	4,990	19,061	24,051
Parking spaces .....	–	50,888	63,520	114,409
<b>Total .....</b>	<b>18,159</b>	<b>280,721</b>	<b>394,921</b>	<b>693,801</b>

As of December 31, 2012, we had completed approximately 18,159 sq.m. of planned saleable/rentable GFA. They comprised mid-rise apartments with a saleable/rentable GFA of approximately 18,159 sq.m. As of December 31, 2012, approximately 100% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 280,721 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in June 2011 and is scheduled for completion in June 2014. These properties are planned to comprise high-rise apartments, mid-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 198,238 sq.m., 26,605 sq.m., 4,990 sq.m. and 50,888 sq.m., respectively. Pre-sales of these properties under development commenced in September 2011, and as of December 31, 2012, 51.9% of the saleable/rentable GFA of the properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 394,921 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in January 2013 and to be completed in December 2016. These future developments are planned to comprise high-rise apartments, mid-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 278,656 sq.m., 33,684 sq.m., 19,061 sq.m. and 63,520 sq.m., respectively. Pre-sales is scheduled to commence in April 2013.

Sunac Central Academy is being developed by Tianjin Sunac Huijie Zhidi Co., Ltd., a wholly owned subsidiary of our Company incorporated in the PRC.

#### Sunac Glorious Mansion (融創君瀾)

Sunac Glorious Mansion is located in the Beitang Town of the Tanggu District of Tianjin, which is in the north of the Binhai New District. Adjacent to the Tianjin Economic Development Area, the location is a key connecting point between Binhai New District and Beijing. Recreation resources such as golf courses and forest parks are also readily accessible. We acquired the land for the project for an aggregate consideration of RMB1,341.2 million in January 2011 through a listing-for-sale process.

We intend to develop Sunac Glorious Mansion into a high-end project, consisting mainly of high-rise apartments, mid-rise apartments, retail properties and parking spaces. The project has a site area of approximately 121,412 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 303,037 sq.m. Construction commenced in August 2011 and is scheduled for completion in December 2013. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Entire project (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Property type</b>				
Residential properties .....	–	234,577	–	234,577
High-rise apartments .....	–	153,169	–	153,169
Mid-rise apartments.....	–	81,408	–	81,408
Retail properties .....	–	17,074	–	17,074
Parking spaces .....	–	55,008	–	55,008
Total .....	–	306,659	–	306,659

As of December 31, 2012, the entire property with a total of approximately 303,659 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in August 2011 and is scheduled for completion in December 2013. These properties are planned to comprise high-rise apartments, mid-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 153,169 sq.m., 81,408 sq.m., 17,074 sq.m. and 55,008 sq.m., respectively. Pre-sales of these properties under development commenced in August 2011, and as of December 31, 2012, approximately 25.4% of the saleable/rentable GFA of the properties under development had been pre-sold.

Sunac Glorious Mansion is being developed by Tianjin Sunac Dingsheng Zhidi Co., Ltd., a wholly owned subsidiary of our Company incorporated in the PRC.

Dream of Mansion (融公館)

Dream of Mansion is located in the Beitang Town of the Tanggu District of Tianjin, which is in the north of the Binhai New District. Adjacent to the Tianjin Economic Development Area, the location is a key connecting point between Binhai New District and Beijing. Recreation resources such as golf courses and forest parks are also readily accessible. We acquired the land for the project for an aggregate consideration of RMB278.2 million in April and June 2012 through a listing-for-sale process.

We intend to develop Dream of Mansion into a mid-to high-end residential project, consisting mainly of mid-rise apartments, townhouses, detached villas, retail properties, offices and parking spaces. The project has a site area of approximately 120,058 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 193,728 sq.m. Construction commenced in October 2012 and is scheduled for completion in December 2014. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			
	Completed	Under development	Future development	Entire project
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
<b>Property type</b>				
Residential properties .....	–	16,801	86,593	103,394
Mid-rise apartments.....	–	9,028	71,487	80,515
Townhouses.....	–	3,585	7,056	10,641
Detached Villas .....	–	4,189	8,050	12,239
Retail properties .....	–	–	43,023	43,023
Offices .....	–	–	17,000	17,000
Parking spaces .....	–	6,260	24,290	30,550
Total .....	–	23,061	170,906	193,967

As of December 31, 2012, the entire project with a total of approximately 23,061 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in October 2012 and is scheduled for completion in December 2013. These properties are planned to comprise mid-rise apartments, townhouses, detached villas and parking spaces with a planned saleable/rentable GFA of approximately 9,028 sq.m., 3,585 sq.m., 4,189 sq.m. and 6,260 sq.m., respectively. As of December 31, 2012, approximately 5.8% of the saleable/rentable GFA of the properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 170,906 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in December 2013 and to be completed in September 2014. These future developments are planned to comprise mid-rise apartments, townhouses, detached villas, retail properties, offices and parking spaces with a saleable/rentable GFA of approximately 71,487 sq.m., 7,056 sq.m., 8,050 sq.m., 43,023 sq.m., 17,000 sq.m. and 24,290 sq.m., respectively. Pre-sales are scheduled to commence in April 2013.

Dream of Mansion is being developed by Beitang Sunac, a jointly controlled entity of our company. Its financial results are not consolidated into ours and only our 50% share of its profit or loss is recognized in our consolidated income statement.

#### Horizon Capital (海河大觀)

Horizon Capital is conveniently located in the Hexi District of Tianjin. Adjacent to the scenic area of the Hai River, the business districts of Xiaobailou and Dagulu, and the Water Park, Sunac Horizon Capital located in a high-end residential area. The project is being developed by Tianjin Poly Sunac, an associate of our Company incorporated in the PRC which acquired the land for the project for an aggregate consideration of RMB2,990.0 million in September 2011 through a listing-for-sale process.

We intend to develop Horizon Capital into a high-end project, consisting mainly of high-rise apartments, mid-rise apartments, retail properties, offices, serviced apartments and parking spaces. The project has a site area of approximately 111,446 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 381,059 sq.m. Construction commenced in October 2012 and is scheduled to be completed in September 2016. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			
	Completed	Under development	Future development	Entire project
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
<b>Property type</b>				
Residential properties .....	–	86,271	49,629	135,899
High-rise apartments .....	–	86,271	35,849	122,119
Mid-rise apartments.....	–	–	13,780	13,780
Retail properties .....	–	16,586	33,250	49,836
Offices .....	–	–	58,920	58,920
Serviced apartments .....	–	9,542	47,342	56,883
Parking spaces .....	–	23,225	58,316	81,541
Total .....	–	135,624	247,456	383,080

As of December 31, 2012, the entire project with a total of approximately 135,624 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in October 2012 and is scheduled for completion in June 2015. These properties comprised high-rise apartments, retail properties, serviced apartments and parking spaces with a saleable/rentable GFA of approximately 86,271 sq.m., 16,586 sq.m., 9,542 sq.m. and 23,225 sq.m., respectively. Pre-sales commenced in October 2012, and as of December 31, 2012, approximately 29.8% of the saleable/rentable GFA of the properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 247,456 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in May 2013 and to be completed in August 2014. These future developments are planned to comprise high-rise apartments, mid-rise apartments, retail properties, offices, serviced apartments and parking spaces with a saleable/rentable GFA of approximately 35,849 sq.m., 13,780 sq.m., 33,250 sq.m., 58,920 sq.m., 47,342 sq.m. and 58,316 sq.m., respectively. Pre-sales are scheduled to commence in August 2013.

Horizon Capital is being developed by Tianjin Poly Sunac. We hold a 49% equity stake in Tianjin Poly Sunac. As we do not control Tianjin Poly Sunac, its financial results are not consolidated into ours and only our 49% share of the profit or loss of Tianjin Poly Sunac is recognized in our consolidated income statement.

### Azure Coast (藍色海岸)

Azure Coast is located at the central business district of the Binhai New District. The project is well connected by roads and bridges to both the city center of Tianjin and the core area of the Binhai New District and well served by many educational, retail, entertainment and community facilities. We acquired 40% of the interest in the project from Greentown Real Estate in June 2012.

We intend to develop Azure Coast into a high-end property project, consisting mainly of retail properties, offices, serviced apartments and parking spaces. The project has a site area of approximately 17,161 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 209,688 sq.m. It is planned to be developed in two phases. Construction commenced in May 2010 and is scheduled for completion in November 2017. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Retail properties .....	–	19,697	18,354	38,051
Offices .....	–	9,553	59,422	68,975
Serviced apartments .....	–	49,872	–	49,872
Parking spaces .....	–	23,349	20,010	43,359
Total .....	–	102,471	97,786	200,257

As of December 31, 2012, a total of approximately 102,471 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in May 2010 and is scheduled for completion in September 2016. These properties are planned to comprise retail properties, offices, serviced apartments and parking spaces with a saleable/rentable GFA of approximately 19,697 sq.m., 9,553 sq.m., 49,872 sq.m. and 23,349 sq.m., respectively. Pre-sales are expected to commence in July 2013.

As of December 31, 2012, a total of approximately 97,786 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in May 2013 and to be completed in November 2017. These future developments are planned to comprise retail properties, offices and parking spaces with a saleable/rentable GFA of approximately 18,354 sq.m., 59,422 sq.m. and 20,010 sq.m., respectively. Pre-sales are expected to commence in November 2017.

Azure Coast is being developed by Tianjin Yijun Investment Co., Ltd., a subsidiary of our Company.

### R3 Lot (R3地塊)

R3 Lot is located at the confluence of the Hai River, the Southern Canal and the Ziya River, which is the birthplace of Tianjin. With its waterfront view and numerous cultural and historic sites, the area has been designated as a high-end scenic residential area by the city's urban planning authority. We acquired 47% of the interest in the project from Beijing Vantone in February 2013.

We intend to develop R3 Lot into a high-end property project, consisting mainly of retail properties, offices, serviced apartments and parking spaces. The project has a site area of approximately 121,214 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 471,288 sq.m. It is planned to be developed in three

phases. Construction commenced in November 2013 and is scheduled for completion in June 2017. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

Type of property product	Saleable/rentable GFA			Total (sq.m.)
	Completed	Under development	Future development	
	(sq.m.)	(sq.m.)	(sq.m.)	
Retail properties .....	–	–	189,959	189,959
Offices .....	–	–	75,368	75,368
Serviced apartments .....	–	–	105,189	105,189
Parking spaces .....	–	–	100,772	100,772
Total .....	–	–	471,288	471,288

As of December 31, 2012, a total of approximately 471,288 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in November 2013 and to be completed in June 2017. These future developments are planned to comprise retail properties, offices, serviced apartments and parking spaces with a saleable/rentable GFA of approximately 189,959 sq.m., 75,368 sq.m., 105,189 sq.m. and 100,772 sq.m., respectively. Pre-sales are expected to commence in March 2014.

R3 Lot is being developed by Tianjin TEDA City Development Co., Ltd., an associate of our Company.

#### R5 Lot (R5地塊)

R5 Lot is located at the confluence of the Hai River, the Southern Canal and the Ziya River, which is the birthplace of Tianjin. With its waterfront view and numerous cultural and historic sites, the area has been designated as a high-end scenic residential district by the city's urban planning authority. We acquired 47% of the interest in the project from Beijing Vantone in February 2013.

We intend to develop R5 Lot into a high-end property project, consisting mainly of high-rise apartments, mid-rise apartments, retail properties, offices, serviced apartments and parking spaces. The project has a site area of approximately 77,588 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 284,101 sq.m. It is planned to be developed in three phases. Construction commenced in June 2011 and is scheduled for completion in June 2016. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

Type of property product	Saleable/rentable GFA			Total (sq.m.)
	Completed	Under development	Future development	
	(sq.m.)	(sq.m.)	(sq.m.)	
Residential properties .....	–	77,103	140,723	217,826
High-rise apartments .....	–	77,103	140,723	217,826
Retail properties .....	–	–	1,438	1,438
Parking spaces .....	–	14,888	44,613	59,501
Total .....	–	91,991	186,774	278,765



As of December 31, 2012, a total of approximately 91,991 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in June 2011 and is scheduled for completion in October 2013. These properties are planned to comprise high-rise apartments and parking spaces with a saleable/rentable GFA of approximately 77,103 sq.m. and 14,888 sq.m., respectively. Pre-sales of these properties under development commenced in July 2011, and as of December 31, 2012, approximately 51.4% of the saleable/rentable GFA of the properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 186,774 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in April 2013 and to be completed in November 2013. These future developments are planned to comprise high-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 140,723 sq.m., 1,438 sq.m. and 44,613 sq.m., respectively. Pre-sales are expected to commence in June 2016.

R5 Lot is being developed by Tianjin Chengkai Zhiye Co., Ltd., an associate of our Company.

#### Yongji Phase 2 (永基二期)

Yongji Phase 2 is located at the core area of the Nankai District of Tianjin. The area is well developed and readily accessible by public transportation. It is also close to established universities such as Nankai University and Tianjin University, hospitals and hypermarkets. We acquired 47% of the interest in the project from Beijing Vantone in February 2013.

We intend to develop Yongji Phase 2 into a high-end property project, consisting mainly of high-rise apartments, retail properties, offices and parking spaces. The project has a site area of approximately 20,842 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 89,060 sq.m. The development of the project is not divided into multiple phases. Construction commenced in April 2013 and is scheduled for completion in June 2015. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

Type of property product	Saleable/rentable GFA			Total (sq.m.)
	Completed	Under development	Future development	
	(sq.m.)	(sq.m.)	(sq.m.)	
Residential properties .....	–	–	45,410	45,410
High-rise apartments .....	–	–	45,410	45,410
Retail properties .....	–	–	4,800	4,800
Offices .....	–	–	11,200	11,200
Parking spaces .....	–	–	21,200	21,200
Total .....	–	–	82,610	82,610

As of December 31, 2012, a total of approximately 82,610 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in March 2013 and to be completed in June 2015. These future developments are planned to comprise high-rise apartments, retail properties, offices and parking spaces with a saleable/rentable GFA of approximately 45,410 sq.m., 4,800 sq.m., 11,200 sq.m. and 21,200 sq.m., respectively. Pre-sales are expected to commence in April 2014.

Yongji Phase 2 is being developed by Tianjin TEDA Shangcheng Zhiye Co., Ltd., an associate of our Company.

## Shanghai

### Shanghai Magnolia Garden (上海玉蘭花園)

Shanghai Magnolia Garden is located at Tang Town of Pudong New Area. The area is close to two state-level economic and technological development zones, i.e. Zhangjiang Hi-Tech Park and Jinqiao Export Manufacturing Zone. We acquired 50% of the interest in the project from Greentown Real Estate in June 2012.

We intend to develop Shanghai Magnolia Garden into a high-end residential project, consisting mainly of high-rise apartments, mid-rise apartments and parking spaces. The project has a site area of approximately 58,163 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 120,063 sq.m. The development of the project is not divided into multiple phases. Construction commenced in July 2010 and is scheduled for completion in June 2013. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	36,557	52,621	–	89,178
High-rise apartments .....	–	52,621	–	52,621
Mid-rise apartments.....	36,557	–	–	36,557
Parking spaces .....	–	24,800	–	24,800
Total .....	<u>36,557</u>	<u>77,421</u>	<u>–</u>	<u>113,978</u>

As of December 31, 2012, the completed properties of Shanghai Magnolia Garden had a total saleable/rentable GFA of approximately 36,557 sq.m. They comprised mid-rise apartments with a saleable/rentable GFA of approximately 36,557 sq.m. As of December 31, 2012, approximately 26.4% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 77,421 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in August 2010 and is scheduled for completion in June 2013. These properties are planned to comprise high-rise apartments and parking spaces with a saleable/rentable GFA of approximately 52,621 sq.m. and 24,800 sq.m. respectively. Pre-sales of these properties under development commenced in September 2010, and as of December 31, 2012, approximately 60.3% of the saleable/rentable GFA of the properties under development had been pre-sold.

Shanghai Magnolia Garden is being developed by Shanghai Lvshun Real Estate Development Co., Ltd., a subsidiary of our Company.

### Shanghai Magnolia Garden Phase II Project (上海玉蘭花園二期)

Shanghai Magnolia Garden Phase II Project is located at Tang Town of Pudong New Area. The area is close to two state-level economic and technological development zones, i.e. Zhangjiang Hi-Tech Park and Jinqiao Export Manufacturing Zone. Shanghai Lvshun Real Estate Development Co., Ltd., a subsidiary of our Company acquired the land for the project for an aggregate consideration of RMB1,644.0 million in July 2012 through a listing-for-sale process.

We intend to develop Shanghai Magnolia Garden Phase II Project into a high-end residential project, consisting mainly of high-rise apartments, mid-rise apartments, retail properties and parking spaces. The project has a site area of approximately 72,803 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 176,718 sq.m. The development of the project is not divided into multiple phases. Construction commenced in February 2013 and is scheduled for completion in June 2015. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
<b>Type of property product</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
Residential properties .....	–	–	101,214	101,214
High-rise apartments .....	–	–	47,971	47,971
Mid-rise apartments.....	–	–	53,243	53,243
Retail properties .....	–		636	636
Parking spaces .....	–	–	46,167	46,167
<b>Total .....</b>	<b>–</b>	<b>–</b>	<b>148,018</b>	<b>148,018</b>

As of December 31, 2012, a total of approximately 148,018 sq.m. of planned saleable/rentable GFA was held for future development. Construction commenced in February 2013 and is scheduled to be completed in June 2015. These future developments are planned to comprise high-rise apartments, mid-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 47,971 sq.m., 53,243 sq.m., 636 sq.m., and 46,167 sq.m. Pre-sales are expected to commence in August 2013.

Shanghai Magnolia Garden Phase II Project is being developed by Shanghai Lvshun Real Estate Development Co., Ltd., a subsidiary of our Company.

#### Shanghai Rose Garden (上海玫瑰園)

Shanghai Rose Garden is located at the Minhang District of Shanghai. Adjacent to one of the largest tennis venues in the world and an 18-hole golf course, Shanghai Rose Garden is part of a high-end residential area. We acquired 50% of the interest in the project from Greentown Real Estate in June 2012.

Shanghai Rose Garden received the “Shanghai Elite Mansion” (上海尊品大宅) award at the 2012 EJU Innovation Summit jointly held by China Real Estate Information Corporation, Sina Leju, Baidu Leju and other institutions. The project is the sales champion among detached villas in Shanghai in 2012 according to Shanghai Uwin Real Estate Information Services Co., Ltd.

We intend to develop Shanghai Rose Garden into a high-end property project, consisting mainly of detached villas and retail properties. The project has a site area of approximately 803,353 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 243,035 sq.m. It is planned to be developed in seven phases. Construction commenced in September 2004 and is scheduled for completion in June 2015. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
<b>Type of property product</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
Residential properties .....	92,361	45,673	–	138,034
Detached villas.....	92,361	45,673	–	138,034
Retail properties .....	6,556	–	–	6,556
Total .....	<u>98,917</u>	<u>45,673</u>	<u>–</u>	<u>144,590</u>

As of December 31, 2012, the completed properties of Shanghai Rose Garden had a total saleable/rentable GFA of approximately 98,917 sq.m. They comprised detached villas and retail properties with a saleable/rentable GFA of approximately 92,361 sq.m. and 6,556 sq.m., respectively. As of December 31, 2012, approximately 83.9% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 45,673 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in October 2010 is scheduled for completion in June 2015. These properties are planned to comprise detached villas with a saleable/rentable GFA of approximately 45,673 sq.m. Pre-sales of these properties under development commenced in 2012, and as of December 31, 2012, approximately 8.9% of the saleable/rentable GFA of the properties under development had been pre-sold.

Shanghai Rose Garden is being developed by Shanghai Greentown Woods Golf Villas Development Co., Ltd., an associate of our Company.

#### Shanghai Bund House (上海黄浦湾)

Shanghai Bund House is located at the Huangpu District, the eastern part of the traditional urban core of Shanghai. Situated on the western bank of the Huangpu River with a popular waterfront view, the area is close to the Bund and many commercial areas including the famous Nanjing Road, Huaihai Road, and Xintiandi.

We intend to develop Shanghai Bund House into a high-end residential project, consisting mainly of high-rise apartments and parking spaces. The project has a site area of approximately 65,758 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 370,184 sq.m. It is planned to be developed in six phases. Construction commenced in July 2007 and is scheduled for completion in November 2017. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	57,250	–	166,912	224,162
High-rise apartments .....	57,250	–	166,912	224,162
Parking spaces .....	–	–	–	–
Total .....	57,250	–	166,912	224,162

As of December 31, 2012, the completed properties of Shanghai Bund House had a total saleable/rentable GFA of approximately 57,250 sq.m. They comprised high-rise apartments with a saleable/rentable GFA of approximately 57,250 sq.m. As of December 31, 2012, approximately 79.0% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 166,912 sq.m. of planned saleable/rentable GFA was held for future development. Construction commenced in January 2013 and is scheduled to be completed in November 2017. These future developments are planned to comprise high-rise apartments with a saleable/rentable GFA of approximately 166,912 sq.m. Pre-sales is scheduled to commence in October 2013.

Shanghai Bund House is being developed by Shanghai Huazhe Bund Real Estate Co., Ltd. (“Huazhe Bund”). We entered into agreement to acquire a 25.5% equity interest in Huazhe Bund from Greentown Real Estate in June 2012 and fully paid the consideration for the acquisition in September 2012. Such equity interest acquisition or transfer is subject to registration with the State Administration for Industry and Commerce. As of the date of this offering memorandum, we are in the process of amending its registration with the State Administration for Industry and Commerce to reflect the transfer of equity interest.

#### Senlan Lot (森蘭地塊)

Senlan Lot is located at the Waigaoqiao Free Trade Zone in the Pudong New Area. We acquired the land for the project for an aggregate consideration of RMB2,124 million through a listing-for-sale process in October 2012.

We intend to develop Senlan Lot into a high-end residential project, consisting mainly of high-rise apartments, mid-rise apartments, retail properties and parking spaces. The project has a site area of approximately 75,091 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 179,946 sq.m. The development of the project is not divided into multiple phases. Construction commenced in March 2013 and is scheduled for completion in October 2015. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
	(sq.m.)	(sq.m.)	(sq.m.)	
<b>Type of property product</b>				
Residential properties .....	-	-	111,845	111,845
High-rise apartments .....	-	-	66,866	66,866
Mid-rise apartments.....	-	-	44,979	44,979
Retail properties .....	-	-	5,987	5,987
Parking spaces .....	-	-	-	-
Total .....	-	-	117,832	117,832

As of December 31, 2012, a total of approximately 117,832 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in March 2013 and to be completed in October 2015. These future developments are planned to comprise high-rise apartments, mid-rise apartments and retail properties with a saleable/rentable GFA of approximately 66,866 sq.m., 44,979 sq.m. and 5,987 sq.m. Pre-sales are scheduled to commence in October 2013.

Senlan Lot is being developed by Shanghai Poly Hongrong Real Estate Co., Ltd., an associate of our Company in which we hold a 49% equity interest.

#### Wujiefang Lot (五街坊地块)

Wujiefang Lot is located at Tang Town of Pudong New Area. The area is close to two state-level economic and technological development zones, i.e. Zhangjiang Hi-Tech Park and Jinqiao Export Manufacturing Zone. We acquired the land for the project for an aggregate consideration of RMB834 million through a listing-for-sale process in September 2012.

We intend to develop Wujiefang Lot into a high-end residential project, consisting mainly of high-rise apartments, mid-rise apartments, retail properties and parking spaces. The project has a site area of approximately 60,206 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 80,768 sq.m. The development of the project is not divided into multiple phases. Construction commenced in June 2013 and is scheduled for completion in June 2015. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
<b>Type of property product</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
Residential properties .....	–	–	63,160	63,160
High-rise apartments .....	–	–	19,300	19,300
Mid-rise apartments.....	–	–	43,860	43,860
Retail properties .....	–	–	4,130	4,130
Parking spaces .....	–	–	–	–
<b>Total .....</b>	<b>–</b>	<b>–</b>	<b>67,290</b>	<b>67,290</b>

As of December 31, 2012, a total of approximately 67,290 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in June 2013 and to be completed in June 2015. These future developments are planned to comprise high-rise apartments, mid-rise apartments and retail properties with a saleable/rentable GFA of approximately 19,300 sq.m., 43,860 sq.m. and 4,130 sq.m. Pre-sales are scheduled to commence in November 2013.

Wujiefang Lot is being developed by Shanghai Longxiang Real Estate Development Co., Ltd., an associate of our Company in which we hold a 50% equity interest.

#### Huangpu District Project (黃浦區項目)

Huangpu District Project is located at the Huangpu District of Shanghai. Situated on the western bank of the Huangpu River with a popular waterfront view, the area is close to the site of the World Expo 2010 and part of a new urban complex. We and Greentown China entered into agreement to acquire the company holding the land for this project in March 2013. As of the date of this offering memorandum, this acquisition has not been completed.

We intend to develop Huangpu District Project into a high-end property project, consisting mainly of high-rise apartments, mid-rise apartments, retail properties, offices, serviced apartments and parking spaces. The project has a site area of approximately 113,842 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 724,439 sq.m. It is planned to be developed in two phases. Construction commenced in April 2010 and is scheduled for completion in October 2017. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			
	Completed	Under development	Future development	Total
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
<b>Type of property product</b>				
Residential properties .....	119,658	–	124,266	243,924
High-rise apartments .....	119,658	–	102,699	222,357
Mid-rise apartments.....	–	–	21,567	21,567
Retail properties .....	11,935	–	117,450	129,385
Offices .....	63,501	–	18,471	81,972
Serviced apartments .....	–	–	–	–
Parking spaces .....	89,026	–	173,303	262,329
Total .....	<u>284,120</u>	<u>–</u>	<u>433,490</u>	<u>717,610</u>

As of December 31, 2012, the completed properties of Sunac Huangpuqu Project had a total saleable/rentable GFA of approximately 284,120 sq.m. They comprised High-rise apartments, retail properties, offices, and parking spaces with a saleable/rentable GFA of approximately 119,658 sq.m., 11,935 sq.m., 63,501 sq.m., and 89,026 sq.m., respectively.

As of December 31, 2012, a total of approximately 433,490 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in August 2013 and to be completed in October 2017. These future developments are planned to comprise high-rise apartments, mid-rise apartments, retail properties, offices and parking spaces with a saleable/rentable GFA of approximately 102,699 sq.m., 21,567 sq.m., 117,450 sq.m., 18,471 sq.m. and 173,303 sq.m., respectively. Pre-sales are expected to commence in October 2013.

#### *Wuxi*

##### Sunac Swan Lake (融創天鵝湖花園)

Sunac Swan Lake is located in the Taihu New City area in the Binhu District of Wuxi. The Wuxi city government plans for this area to become a new administrative and financial center, to which the city government relocated in 2010. A subway line connecting the Taihu New City area has commenced construction, and the works are scheduled for completion in 2014. The project is located close to the scenic areas of Lake Tai, the new government center and the future subway station and is planned to be developed as a community with high standards of living.

The project has received a number of awards, including the “Green Project Recommended by Consumers” (消費者推薦的綠色項目) award given by Wuxi Transportation Radio Station and the Consumer Committee of Wuxi in 2005, the “Wuxi City Excellent Structure Project” (無錫市級優質結構工程) by the Wuxi Construction Association in 2006, the “Top 10 Projects of Wuxi” (無錫市十大項目) award given by efw.cn in 2007, the “Top Ten Renowned Property Development Project in Wuxi” (無錫市十大名盤) by the Wuxi Daily in 2008, the “Top 10 Best-selling Projects in Wuxi” (無錫2010年10大暢銷樓盤) award given by



HOUSE365.com in 2010 and the “Top 10 Commodity Housing by Sales Volume in Wuxi in 2011” (2011年度無錫樓市商品房銷售十強) award given by Modern Express News in 2011. The project ranked first by sales amount among residential projects in Wuxi in 2012 according to CRIC.

The project comprises high-rise and mid-rise apartments, townhouses, retail properties, serviced apartments and parking spaces, with a total site area of approximately 706,889 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 1,400,636 sq.m.

The project is planned to be developed in ten phases. Construction commenced in June 2004 and is scheduled for completion in December 2014. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	679,735	200,126	71,802	951,662
High-rise apartments .....	449,894	200,126	71,802	721,822
Mid-rise apartments.....	217,198	–	–	217,198
Townhouses .....	12,642	–	–	12,642
Retail properties .....	46,042	2,080	13,000	61,122
Serviced apartments .....	52,601	–	–	52,601
Parking spaces .....	144,206	84,318	–	228,524
Total .....	922,583	286,523	84,802	1,293,909

As of December 31, 2012, the completed properties of Sunac Swan Lake had a total saleable/rentable GFA of approximately 922,583 sq.m. They comprised high-rise apartments, mid-rise apartments, townhouses, retail properties, serviced apartments and parking spaces with a saleable/rentable GFA of approximately 449,894 sq.m., 217,198 sq.m., 12,642 sq.m., 46,042 sq.m., 52,601 sq.m. and 144,206 sq.m., respectively. As of December 31, 2012, approximately 78.3% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 286,523 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in October 2011 and is scheduled for completion in December 2013. These properties are planned to comprise high-rise apartments, retail properties and parking spaces with a planned saleable/rentable GFA of approximately 200,126 sq.m., 2,080 sq.m. and 84,318 sq.m., respectively. Pre-sales of these properties under development commenced in October 2011 and, as of December 31, 2012, approximately 36.8% of the planned saleable GFA of properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 84,802 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in October 2012 and to be completed in December 2014. These future developments are planned to comprise high-rise apartments and retail properties with a planned saleable/rentable GFA of approximately 71,802 sq.m. and 13,000 sq.m., respectively. Pre-sales commenced in March 2013.

Sunac Swan Lake is being developed by Wuxi Sunac Real Estate, a wholly owned subsidiary of our Company incorporated in the PRC.

## Sunac Dream of City (融創理想城市)

Sunac Dream of City is located in the Huishan District of Wuxi. The project is located in the Huishan New City area, which is planned to be developed into the District's political, economic, cultural, education and leisure center. Because of the relatively low property prices, Huishan District is generally considered to have significant investment and development potential. Huishan New City is among the earliest areas to be developed in the District and has well-developed supporting infrastructure and facilities. This project has won several awards since 2008, including "Representative New Trend in Distinctive Chinese-Style Property Development in China" award and the "Charity Star" award (慈善明星) for its charitable contribution in November 2008. The project ranked fifth by sales amount among residential projects in Wuxi in 2011 according to CRIC.

Sunac Dream of City comprises a wide range of property products, including high-rise and mid-rise apartments, townhouses, retail properties and parking spaces. With many ancillary facilities such as retail stores and schools, Sunac Dream of City is the leading large-scale property development project in the area. We are positioning the project to offer a one-stop living environment for residents. It has a site area of approximately 570,182 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 1,052,970 sq.m. The project is planned to be developed in ten phases. Construction commenced in July 2005 and is scheduled for completion in December 2014. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

Type of property product	Saleable/rentable GFA			
	Completed	Under development	Future development	Total
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Residential properties .....	451,355	226,506	111,536	789,398
High-rise apartments .....	152,950	159,498	67,455	379,904
Mid-rise apartments.....	270,554	67,008	44,081	381,643
Townhouses .....	27,851	–	–	27,851
Retail properties .....	19,181	–	3,455	22,636
Parking spaces .....	58,820	64,041	20,696	143,557
Total .....	<u>529,356</u>	<u>290,547</u>	<u>135,687</u>	<u>955,591</u>

As of December 31, 2012, the completed properties of Sunac Dream of City had a total saleable/rentable GFA of approximately 529,356 sq.m. They comprised high-rise apartments, mid-rise apartments, townhouse, retail properties and parking spaces with a saleable/rentable GFA of approximately 152,950 sq.m., 270,554 sq.m., 27,851 sq.m., 19,181 sq.m. and 58,820 sq.m., respectively. As of December 31, 2012, approximately 88.6% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 290,547 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in August 2011 and is scheduled for completion in December 2013. These properties are planned to comprise high-rise apartments, mid-rise apartments and parking spaces with a planned saleable/rentable GFA of approximately 159,498 sq.m., 67,008 sq.m., and 64,041 sq.m., respectively. Pre-sales of these properties under development commenced in September 2011 and, as of December 31, 2012, approximately 37.7% of the planned saleable/rentable GFA of properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 135,687 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in May 2013 and to be completed in December 2014. These future developments are planned to

comprise high-rise apartments, mid-rise apartments, retail properties and parking spaces with a planned saleable/rentable GFA of approximately 67,455 sq.m., 44,081 sq.m., 3,455 sq.m. and 20,696 sq.m., respectively. Pre-sales are scheduled to commence in August 2013.

Sunac Dream of City is being developed by Wuxi Sunac City, a 71.4% owned subsidiary of our Company incorporated in the PRC. Prior to May 2011, Wuxi Sunac City was a wholly owned subsidiary of our Company. In May 2011, United Trust Co., Ltd., an independent third party, acquired a 28.6% equity interest in Wuxi Sunac City by way of a capital injection in the amount of RMB200.0 million. Following the transaction, Wuxi Sunac City is owned as to 71.4% by us and 28.57% by United Trust Co., Ltd.

#### Camphorwood Mansion (蠡湖香樟園)

Camphorwood Mansion is located in the Lihu New Town in the Binhu District of Wuxi. Located along the scenic shoreline of Lake Li, Camphorwood Mansion is close to many popular tourist destinations, including Lake Li Central Park, Li Garden, Mei Garden and Yuantouzhu. Hubin Real Estate, then a wholly owned subsidiary of Greentown Real Estate, acquired the land in August 2009 through a listing-for-sale process.

We intend to develop Camphorwood Mansion into a high-end project, consisting mainly of high-rise apartments, detached villas, retail properties and parking spaces. Camphorwood Mansion received the “Most Beautiful Property in Wuxi in 2012” (2012無錫最美樓盤) awards at 2012 Wuxi Housing Culture Annual Festival organized by Wuxi Radio and Television Media Center, and the “Landmark Property of Wuxi in 2012” (2012無錫地標樓盤) awards from SouFun.com. The project ranked second by sales amount among residential projects in Wuxi in 2012 according to CRIC. The project has a site area of approximately 203,070 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 706,473 sq.m. It is planned to be developed in four phases. Construction commenced in June 2010 and is scheduled to be completed in December 2017. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	22,022	325,630	157,493	505,145
High-rise apartments .....	–	311,260	157,493	468,753
Detached villas.....	22,022	14,370	–	36,392
Retail properties .....	–	1,814	–	1,814
Parking spaces .....	–	91,674	48,073	139,747
Total .....	22,022	419,118	205,566	646,706

As of December 31, 2012, the completed properties of Camphorwood Mansion had a total saleable/rentable GFA of approximately 22,022 sq.m. They comprised detached villas with a saleable/rentable GFA of approximately 22,022 sq.m. As of December 31, 2012, approximately 72.6% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 419,118 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in June 2010 and is scheduled for completion in December 2015. These properties are planned to comprise high-rise properties, detached villas, retail properties and parking spaces with a planned saleable/rentable GFA of approximately 311,260 sq.m., 14,370 sq.m., 1,814 sq.m. and 91,674 sq.m., respectively. Pre-sales of these properties under development commenced in November 2011. As of December 31, 2012, approximately 26.4% of the salable/rentable GFA of properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 205,566 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in October 2013 and to be completed in December 2017. These future developments are planned to comprise high-rise apartments and parking spaces with a planned saleable/rentable GFA of approximately 157,493 sq.m. and 48,073 sq.m., respectively. Pre-sales are scheduled to commence in June 2014.

Camphorwood Mansion is being developed by Hubin Real Estate, which was incorporated in the PRC as a wholly owned subsidiary of Greentown Real Estate before we acquired an equity interest in Hubin Real Estate. In January 2012, Sunac Zhidi, a wholly owned subsidiary of our Company, acquired from Greentown Real Estate a 51% equity interest in Hubin Real Estate for a cash consideration of RMB51.0 million. Following the completion of this transaction, Hubin Real Estate has become a subsidiary of our Company.

#### Wuxi Magnolia Garden (無錫玉蘭花園)

Wuxi Magnolia Garden is located in the core area of Taihu New Town in the Binhu District of Wuxi. The area is close to the financial and administrative center of Wuxi. We acquired 42.5% of the interest in the project from Greentown Real Estate in June 2012. The project ranked fourth by sales amount among residential projects in Wuxi in 2012 according to CRIC.

We intend to develop Wuxi Magnolia Garden into a high-end property project, consisting mainly of high-rise apartments, retail properties and parking spaces. The project has a site area of approximately 180,826 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 569,290 sq.m. It is planned to be developed in three phases. Construction commenced in March 2009 and is scheduled for completion in September 2015. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	319,097	–	66,800	385,897
High-rise apartments .....	319,097	–	66,800	385,897
Retail properties .....	–	–	10,460	10,460
Parking spaces .....	110,727	–	29,960	140,687
Total .....	429,823	–	107,220	537,043

As of December 31, 2012, the completed properties of Wuxi Magnolia Garden had a total saleable/rentable GFA of approximately 429,823 sq.m. They comprised high-rise apartments and parking spaces with a saleable/rentable GFA of approximately 319,097 sq.m. and 110,727 sq.m., respectively. As of December 31, 2012, approximately 54.9% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 107,220 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in March 2013 and to be completed in September 2015. These future developments are planned to comprise high-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 66,800 sq.m., 10,460 sq.m. and 29,960 sq.m., respectively. Pre-sales are expected to commence in July 2013.

Wuxi Magnolia Garden is being developed by Wuxi Greentown Real Estate Development Co., Ltd., a subsidiary of our Company.

### Wuxi Magnolia West Project (無錫玉蘭西項目)

Wuxi Magnolia West Project is located in the core area of Taihu New Town in the Binhu District of Wuxi. The area is close to the financial and administrative center of Wuxi.

We intend to develop Wuxi Magnolia West Project into a high-end property project, consisting mainly of high-rise apartments, retail properties, serviced apartments and parking spaces. The project has a site area of approximately 171,572 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 493,074 sq.m. It is planned to be developed in three phases. Construction commenced in March 2012 and is scheduled for completion in December 2016. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

Type of property product	Saleable/rentable GFA			
	Completed	Under development	Future development	Total
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Residential properties .....	–	117,185	185,215	302,400
High-rise apartments .....	–	117,185	185,215	302,400
Retail properties .....	–	–	40,293	40,293
Serviced apartments .....	–	–	22,770	22,770
Parking spaces .....	–	40,920	49,070	89,990
Total .....	–	158,105	297,348	455,453

As of December 31, 2012, a total of approximately 158,105 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in March 2013 and is scheduled for completion in June 2015. These properties are planned to comprise high-rise apartments and parking spaces with a saleable/rentable GFA of approximately 117,185 sq.m. and 40,920 sq.m., respectively. As of December 31, 2012, approximately 9.0% of the saleable/rentable GFA of the properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 297,348 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in March 2013 and to be completed in December 2016. These future developments are planned to comprise high-rise apartments, retail properties, serviced apartments and parking spaces with a saleable/rentable GFA of approximately 185,215 sq.m., 40,293 sq.m., 22,770 sq.m. and 49,070 sq.m., respectively. Pre-sales are expected to commence in September 2013.

Wuxi Magnolia West Project is being developed by Wuxi Taihu Greentown Real Estate Co., Ltd., an associate of our Company in which we hold a 39% equity interest.

### Sunac Royal Garden (融創沅園)

Sunac Royal Garden is located in the Dongjiu New Town in the Yixing District of Wuxi. Yixing District has an active economy, ranking fifth among the “Top 100 Counties in China” (全國百強縣) in terms of overall economic competitiveness in 2011, according to the PRC County Area Economic Research Organization. According to Yixing District’s general city plan, the Dongjiu New Town is designated as a key area for construction projects. Sunac Royal Garden is located two kilometers south of the central business district of Yixing District. We, through Wuxi Sunac Real Estate, acquired the land for RMB1,560 million in January 2010 through a listing-for-sale process. The project ranked fifth by sales amount among residential projects in Wuxi in 2012 according to CRIC.

We intend to develop Sunac Royal Garden into a high-end project, consisting mainly of high-rise, mid-rise apartments, detached villas, townhouses, retail properties and parking spaces. The project is planned to also include a kindergarten, and to incorporate the existing river

channels that transverse the site. The project has a site area of approximately 268,945 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 469,734 sq.m. It is planned to be developed in six phases. Construction commenced in March 2011 and is scheduled to be completed in December 2014. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
<b>Type of property product</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
Residential properties .....	113,404	91,786	125,256	330,445
High-rise apartments .....	89,132	55,572	98,345	243,058
Mid-rise apartments.....	–	–	18,540	18,540
Townhouses.....	–	36,214	–	36,214
Detached villas.....	24,271	–	8,362	32,633
Retail properties.....	8,443	9,725	–	18,168
Parking spaces .....	6,053	23,381	16,390	45,824
<b>Total .....</b>	<b>127,900</b>	<b>124,892</b>	<b>141,646</b>	<b>394,438</b>

As of December 31, 2012, the completed properties of Sunac Royal Garden had a total saleable/rentable GFA of approximately 127,900 sq.m. They comprised high-rise apartments, detached villas, retail properties and parking spaces with a saleable/rentable GFA of approximately 89,132 sq.m., 24,271 sq.m. and 8,443 sq.m. and 6,053 sq.m., respectively. As of December 31, 2012, approximately 74.1% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 124,892 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in May 2012 and is scheduled for completion in December 2013. These properties are planned to comprise high-rise apartments, townhouses, retail properties and parking spaces with a planned saleable/rentable GFA of approximately 55,572 sq.m., 36,214 sq.m., 9,725 sq.m. and 23,381 sq.m., respectively. Pre-sales of these properties under development commenced in July 2011. As of December 31, 2012, approximately 29.5% of the saleable/rentable GFA of properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 141,646 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in March 2013 and to be completed in December 2014. These future developments are planned to comprise high-rise apartments, mid-rise apartments, detached villas and parking spaces with a planned saleable/rentable GFA of approximately 98,345 sq.m., 18,540 sq.m., 8,362 sq.m. and 16,390 sq.m., respectively. Pre-sales are scheduled to commence in March 2013.

Sunac Royal Garden is being developed by Yixing Sunac Dongjiu Real Estate Co., Ltd. (“Yixing Sunac Dongjiu”), a 100%-owned subsidiary of our Company incorporated in the PRC.

## Suzhou

### Sunac 81 (融創81棟)

Sunac 81 is located in the Xiangcheng District of Suzhou. The project is close to Chunshen Lake and high-standard facilities such as a five-star hotel. Upon completion, we intend the project to become a residential community with a relatively low density. The project ranked first by both sales volume and sales amount among villa projects in Suzhou in 2011 according to SouFun.com.

The project comprises townhouses, detached villas and retail properties with a site area of approximately 133,434 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 100,340 sq.m. The development of the project is divided into four phases. Construction commenced in May 2008 and was completed in December 2012. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Entire project (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Property Type</b>				
Residential properties .....	81,295	–	–	81,295
Townhouses .....	43,485	–	–	43,485
Detached villas.....	37,810	–	–	37,810
Retail properties .....	1,313	–	–	1,313
Total .....	<u>82,608</u>	<u>–</u>	<u>–</u>	<u>82,608</u>

As of December 31, 2012, we had completed the entire project which had a total saleable/rentable GFA of approximately 82,608 sq.m. They comprised townhouses, detached villas and retail properties with a saleable/rentable GFA of approximately 43,485 sq.m., 37,810 sq.m. and 1,313 sq.m., respectively. As of December 31, 2012, approximately 88.5% of the saleable/rentable GFA of the completed properties had been sold.

Sunac 81 was developed by Suzhou Chunshen Lake Property Development Co., Ltd. (“Chunshen Lake”), a wholly owned subsidiary of our Company incorporated in the PRC.

### Majestic Mansion (蘇州御園)

Majestic Mansion is located at the China-Singapore Suzhou Industrial Park, one of the most competitive state-level development zones in China. Situated between the Jinji Lake and the Dushu Lake, the project is part of a high-end residential area. We acquired 50% of the interest in the project from Greentown Real Estate in June 2012.

We intend to develop Majestic Mansion into a high-end residential project, consisting mainly of mid-rise apartments, detached villas and parking spaces. The project has a site area of approximately 155,664 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 218,340 sq.m. It is planned to be developed in two phases. Construction commenced in June 2010 and is scheduled for completion in December 2013. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	–	123,070	–	123,070
Mid-rise apartments.....	–	63,395	–	63,395
Detached villas.....	–	59,675	–	59,675
Parking spaces .....	–	–	–	–
Total .....	–	123,070	–	123,070

As of December 31, 2012, a total of approximately 123,070 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in June 2010 and is scheduled for completion in December 2013. These properties are planned to comprise mid-rise apartments and detached villas with a saleable/rentable GFA of approximately 63,395 sq.m. and 59,675 sq.m., respectively. Pre-sales of these properties under development commenced in August 2010, and as of December 31, 2012, approximately 26.2% of the saleable/rentable GFA of the properties under development had been pre-sold.

Majestic Mansion is being developed by Suzhou Greentown Yuyuan Real Estate Development Co., Ltd., a subsidiary of our Company.

#### Suzhou Rose Garden (蘇州玫瑰園)

Suzhou Rose Garden is located at the China-Singapore Suzhou Industrial Park, one of the most competitive state-level development zones in China. Situated between the Jinji Lake and the Dushu Lake, the project is part of a high-end residential area. We acquired 50% of the interest in the project from Greentown Real Estate in June 2012.

We intend to develop Suzhou Rose Garden into a high-end residential project, consisting mainly of detached villas and parking spaces. The project has a site area of approximately 213,852 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 249,302 sq.m. It is planned to be developed in three phases. Construction commenced in December 2012 and is scheduled for completion in June 2016. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	–	49,090	78,000	127,090
Detached villas.....	–	49,090	78,000	127,090
Parking spaces .....	–	–	–	–
Total .....	–	49,090	78,000	127,090



As of December 31, 2012, a total of approximately 49,090 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in December 2012 and is scheduled for completion in June 2015. These properties are planned to comprise detached villas with a saleable/rentable GFA of approximately 49,090 sq.m. Pre-sales of these properties under development commenced in June 2010.

As of December 31, 2012, a total of approximately 78,000 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in May 2013 and to be completed in June 2016. These future developments are planned to comprise detached villas with a saleable/rentable GFA of approximately 78,000 sq.m. Pre-sales are scheduled to commence in October 2013.

Suzhou Rose Garden is being developed by Suzhou Greentown Rose Garden Real Estate Development Co., Ltd., a subsidiary of our Company.

#### *Changzhou*

#### Changzhou Magnolia Square (常州玉兰广场)

Changzhou Magnolia Square is located in the Wujin District of Changzhou. Situated along the main thoroughfare connecting the traditional city center of Changzhou and the Wujin District, the area is well developed and has many schools, retail properties, offices, and entertainment and community facilities. We acquired 50% of the interest in the project from Greentown Real Estate in June 2012.

We intend to develop Changzhou Magnolia Square into a high-end property project, consisting mainly of high-rise apartments, retail properties and parking spaces. The project has a site area of approximately 413,252 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 1,480,924 sq.m. It is planned to be developed in five phases. Construction commenced in July 2012 and is scheduled for completion in September 2018. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
<b>Type of property product</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
Residential properties .....	–	221,409	855,272	1,076,681
High-rise apartments .....	–	221,409	855,272	1,076,681
Retail properties .....	–	6,244	53,640	59,884
Parking spaces .....	–	51,765	210,418	262,183
<b>Total .....</b>	<b>–</b>	<b>279,418</b>	<b>1,119,330</b>	<b>1,398,748</b>

As of December 31, 2012, a total of approximately 279,418 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in November 2011 and is scheduled for completion in December 2014. These properties are planned to comprise high-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 221,409 sq.m., 6,244 sq.m. and 51,765 sq.m., respectively. Pre-sales of these properties under development commenced in August 2012. As of December 31, 2012, approximately 27.6% of the salable/rentable GFA of the property under development has pre-sold.

As of December 31, 2012, a total of approximately 1,119,330 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in March 2013 and to be completed in September 2018. These future developments are planned

to comprise high-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 855,272 sq.m., 53,640 sq.m., and 210,418 sq.m., respectively. Pre-sales are scheduled to commence in August 2013.

Changzhou Magnolia Square is being developed by Changzhou Greentown Real Estate Development Co., Ltd., a jointly controlled entity of our Company.

### *Chongqing*

#### Sunac Olympic Garden (融創奧林匹克花園)

Sunac Olympic Garden is located in the New North Zone of the Yubei District in Chongqing. Since 2001, the New North Zone has been developing significantly and is planned by the Chongqing Municipal Government to become a high-growth economic area. Many well-known multinational enterprises have set up operations in this area. According to the Chongqing Municipal Construction Commission, a light transit railway is planned to be constructed to pass through this area in the future. The government has stated that it will continue to focus on developing the area by attracting large companies and accelerating infrastructure construction. Acclaimed as the “Pudong of Chongqing,” the New North Zone is becoming an important new area of Chongqing with a strong potential for economic development.

To date, Sunac Olympic Garden is one of the largest residential property development projects in Chongqing. We plan to develop it into a new center in Chongqing featuring high-quality residences as well as a full range of retail, entertainment, sports, leisure and educational activities. The project has won over forty awards since 2004, including the “2004 CIHAF Renowned Property Development Project in China” (2004年度中國住交會中國名盤), the “Global Habitat and Environment Community Award” (全球人居環境社區獎) given by the Communications Coordination Committee for the United Nations in 2005, the “Zhan Tianyou Residential Community Award for Excellent Planning and Design in Chongqing in 2008” (2008詹天佑大獎優秀住宅小區重慶優秀規劃設計獎) in 2008, the “Zhan Tianyou Residential Community Award for Excellent Residential Community in 2008” (2008詹天佑大獎重慶優秀住宅小區金獎) in 2008, the “National Zhan Tianyou Gold Award for Excellent Residential Community in Chongqing (重慶優秀住宅小區全國詹天佑金獎) in 2010 and the Chinese Golden Stone Award for Architecture (中華建築金石獎) given by Chinese Educational, Scientific and Cultural Development Association and the Organization Committee for the Chinese Golden Stone Award for Architecture in 2010 and 2011. The project received the sales champion of the year among residential projects in Chongqing in 2011 and 2012, and the sales champion of the year among serviced apartments and offices projects in Chongqing in 2012 according to Chongqing Morning Post.

The project comprises high-rise, mid-rise apartments, townhouses, detached villas, retail properties, offices, serviced apartments and parking spaces, with a total site area of approximately 1,647,343 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 2,620,468 sq.m. The project is planned to be developed in fifteen phases. Construction commenced in July 2004 and is scheduled for completion in December 2014. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
<b>Type of property product</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
Residential properties .....	1,382,509	41,912	177,729	1,542,150
High-rise apartments .....	854,940	–	45,593	900,533
Mid-rise apartments.....	280,169	–	17,424	297,593
Townhouses.....	237,400	30,646	54,712	322,758
Detached villas.....	10,000	11,266	–	21,266
Retail properties.....	62,941	142,259	47,629	252,829
Offices .....	–	–	96,090	96,090
Serviced apartments .....	–	22,567	–	22,567
Parking spaces .....	77,063	14,785	61,548	153,396
<b>Total.....</b>	<b>1,522,513</b>	<b>221,523</b>	<b>322,995</b>	<b>2,067,032</b>

As of December 31, 2012, the completed properties of Sunac Olympic Garden had a total saleable/rentable GFA of approximately 1,522,513 sq.m. They were completed in December 2012. They comprised high-rise apartments, mid-rise apartments, townhouses, detached villas, retail properties and parking spaces with a saleable/rentable GFA of approximately 854,940 sq.m., 280,169 sq.m., 237,400 sq.m., 10,000 sq.m., 62,941 sq.m. and 77,063 sq.m., respectively. As of December 31, 2012, approximately 93.9% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 221,523 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in June 2012 and is scheduled for completion in November 2013. These properties under development are planned to comprise townhouses, detached villas, retail properties, serviced apartments and parking spaces with a planned saleable/rentable GFA of approximately 30,646 sq.m., 11,266 sq.m., 142,259 sq.m., 22,567 sq.m. and 14,785 sq.m., respectively. Pre-sales of these properties under development commenced in September 2011 and, as of December 31, 2012, approximately 73.1% of the saleable/rentable GFA of properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 322,995 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in April 2013 and is scheduled to be completed in December 2014. These future developments are planned to comprise high-rise apartments, mid-rise apartments, townhouses, retail properties, offices and parking spaces with a planned saleable/rentable GFA of approximately 45,593 sq.m., 17,424 sq.m., 54,712 sq.m., 47,629 sq.m., 96,090 sq.m. and 61,548 sq.m., respectively. Pre-sales commenced in October 2012.

Sunac Olympic Garden is being developed by Chongqing Jiye, a wholly owned subsidiary of our Company incorporated in the PRC.

## Sunac Asia Pacific Enterprise Valley (融創亞太商谷)

Sunac Asia Pacific Enterprise Valley is being developed on a large site adjacent to the Chongqing International Convention and Exhibition Center in the Chongqing Economic Development Area of the Nanan District in Chongqing. As the secondary city center of Chongqing, the area has been developing as a modern commercial, entertainment and tourism area with many business, convention and entertainment facilities, as well as a high-quality residential area. The Chongqing International Convention and Exhibition Center is one of the most advanced large integrated convention and exhibition centers in Southwest China and hosts many international, regional or national conferences and exhibitions every year. With this potentially superior location, we expect Sunac Asia Pacific Enterprise Valley to be able to bring a high investment return to our purchasers.

The project is being developed into a modern residential area with comprehensive commercial, exhibition and community facilities. The project has received various awards, including the “Property of the Highest Investment Value” (最具投資價值樓盤) award given by Chongqing Daily News and Chongqing Evening News in 2007, the “2007 Chongqing Property with the Highest Appreciation Potential” (2007重慶最具升值潛力樓盤) co-sponsored by the Chongqing Times and the Beijing, Tianjin, Shanghai and Chongqing Municipality Media Alliance, the “2007 Outstanding Urban Residence Construction in Chongqing” (2007重慶城市人居建設傑出貢獻項目) co-sponsored by the Chongqing Real Estate Industry Association, the Chongqing City Construction Comprehensive Development Association, the Chongqing Urban Planning Association, the Chongqing Society of Landscape Architecture, the Chongqing Construction Industry Association and the Chongqing Times and the “Best Finely Decorated Residence in Chongqing” (重慶最佳精裝修住宅) given by Chongqing Morning Post in 2008.

The project comprises high-rise apartments, retail properties, offices, serviced apartments and parking spaces, with a site area of approximately 118,912 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 759,495 sq.m. The project is planned to be developed in six phases. Construction commenced in March 2007 and is scheduled for completion in October 2014. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	273,578	176,174	–	449,751
High-rise apartments .....	273,578	176,174	–	449,751
Retail properties .....	33,490	8,308	–	41,797
Offices .....	–	11,135	–	11,135
Serviced apartments .....	–	12,707	–	12,707
Parking spaces .....	40,712	63,216	–	103,927
Total .....	347,779	271,539	–	619,318

As of December 31, 2012, the completed properties of Sunac Asia Pacific Enterprise Valley had a total saleable/rentable GFA of approximately 347,779 sq.m. They were completed in December 2011. They comprised high-rise apartments, retail properties and parking spaces with a saleable/rentable GFA of approximately 273,578 sq.m., 33,490 sq.m. and 40,712 sq.m., respectively. As of December 31, 2012, approximately 99.9% of the saleable/rentable GFA of the completed properties had been sold.

As of December 31, 2012, a total of approximately 271,539 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in August 2012 and is scheduled to be completed in December 2013. These future developments are planned to

comprise high-rise apartments, retail properties, offices, serviced apartments and parking spaces with a saleable/rentable GFA of approximately 176,174 sq.m., 8,308 sq.m., 11,135 sq.m., 12,707 sq.m. and 63,216 sq.m., respectively. Pre-sales commenced in August 2012. As of December 31, 2012, approximately 21.4% of the saleable/rentable GFA of the properties under development had been pre-sold.

Sunac Asia Pacific Enterprise Valley is being developed by Chongqing Yatai, our wholly owned subsidiary incorporated in the PRC.

Prior to our initial acquisition of a 45% equity interest in Chongqing Yatai, Chongqing Yatai had failed to pay the required land grant fee for the Sunac Asia Pacific Enterprise Valley project in the amount of RMB298.2 million. The relevant government authority in Chongqing imposed on Chongqing Yatai a penalty of RMB22.0 million, which was paid on September 27, 2008. Chongqing Yatai has subsequently fully paid the land grant fee and has obtained the land use right certificates for the Sunac Asia Pacific Enterprise Valley project.

#### Sunac Eton Manor (融創伊頓莊園)

Sunac Eton Manor is located in the Chayuan Town in the Nanan District of Chongqing. As one of the major high-end residential communities in Chongqing, the Chayuan Town is closely connected to the Central Business District of Chongqing through three urban channels. We acquired the land for the project for an aggregate consideration of RMB970.0 million in January 2011 through a land auction.

We intend to develop Sunac Eton Manor into a high-end residential project, consisting mainly of high-rise apartments, townhouses, detached villas, retail properties and parking spaces. The project received the “Chinese Golden Stone Award for Architecture – Top Residential Brand” (中華建築金石獎頂尖居住品牌) given by Chinese Educational, Scientific and Cultural Development Association and the Organization Committee for the Chinese Golden Stone Award for Architecture in 2012. The project has a site area of approximately 179,204 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 401,616 sq.m. Construction commenced in September 2011 and is scheduled to be completed in December 2014. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	–	99,183	–	99,183
High-rise apartments .....	–	88,731	80,401	169,132
Townhouses .....	–	83,193	–	83,193
Detached villas.....	–	15,990	–	15,990
Retail properties .....	–	8,916	–	8,916
Parking spaces .....	–	22,567	–	22,567
Total .....	–	219,397	80,401	299,798

As of December 31, 2012, a total of approximately 219,397 sq.m. of planned saleable/rentable GFA was under development. Construction commenced in April 2012 and is scheduled for completion in December 2013. These properties under development are planned to comprise high-rise apartments, townhouses, detached villas, retail properties and parking spaces with a planned saleable/rentable GFA of approximately 88,731 sq.m., 83,193 sq.m., 15,990 sq.m., 8,916 sq.m. and 22,567 sq.m., respectively. Pre-sales of these properties under development commenced in April 2012 and, as of December 31, 2012, approximately 59.3% of the saleable/rentable GFA of properties under development had been pre-sold.

As of December 31, 2012, a total of approximately 80,401 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in March 2013 and to be completed in December 2014. These future developments are planned to comprise high-rise apartments with a saleable/rentable GFA of approximately 80,401 sq.m. Pre-sales commenced in August 2012.

Sunac Eton Manor is being developed by Chongqing Sunac Shangfeng Real Estate Co., Ltd. (“Sunac Shangfeng”), our wholly owned subsidiary incorporated in the PRC.

Central Park Lot (中央公園地塊)

Central Park Lot is located in the Liangjiang New Area of Chongqing. The project is part of a high end residential area between the Chongqing Central Park and the Chongqing Jiangbei International Airport. We acquired the land for the project for an aggregate consideration of RMB975 million through a listing-for-sale process in November 2012.

We intend to develop Central Park Lot into a high-end residential project, consisting mainly of high-rise apartments, mid-rise apartments, townhouses, retailed properties and parking spaces. The project has a site area of approximately 159,802 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 518,562 sq.m. The development of the project is not divided into multiple phases. Construction commenced in April 2013 and is scheduled for completion in December 2015. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

Type of property product	Saleable/rentable GFA			Total (sq.m.)
	Completed	Under development	Future development	
	(sq.m.)	(sq.m.)	(sq.m.)	
Residential properties .....	–	–	299,279	299,279
High-rise apartments .....	–	–	226,973	226,973
Mid-rise apartments.....	–	–	9,307	9,307
Townhouses.....	–	–	62,999	62,999
Retailed properties .....	–	–	40,805	40,805
Parking spaces .....	–	–	101,750	101,750
Total .....	–	–	441,834	441,834

As of December 31, 2012, a total of approximately 441,834 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in April 2013 and to be completed in December 2015. These future developments are planned to comprise high-rise apartments, mid-rise apartments, townhouses, retailed properties and parking spaces with a saleable/rentable GFA of approximately 226,973 sq.m., 9,307 sq.m., 62,999 sq.m., 40,805 sq.m. and 101,750 sq.m., respectively. Pre-sales are scheduled to commence in August 2013.

Central Park Lot is being developed by Chongqing Sunac Shijin Real Estate Co., Ltd., a subsidiary of our Company.

### Zhaomu Mountain Lot (照母山地塊)

Zhaomu Mountain Lot in the core area of the Liangjiang New Area of Chongqing. The project is part of a high end ecological residential area close to the Chongqing Zhaomu Mountain Botanical Park. We acquired the land for the project for an aggregate consideration of RMB2,448 million through a listing-for-sale process in November 2012.

We intend to develop Zhaomu Mountain Lot into a high-end residential project, consisting mainly of high-rise apartments, townhouses, detached villas, offices and parking spaces. The project has a site area of approximately 397,822 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 1,228,504 sq.m. The development of the project is not divided into multiple phases. Construction commenced in April 2013 and is scheduled for completion in December 2017. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed	Under development	Future development	
	(sq.m.)	(sq.m.)	(sq.m.)	
<b>Type of property product</b>				
Residential properties .....	–	–	804,183	804,183
High-rise apartments .....	–	–	661,520	661,520
Townhouses .....	–	–	102,334	102,334
Detached villas .....	–	–	26,412	26,412
Offices .....	–	–	13,917	13,917
Parking spaces .....	–	–	235,157	235,157
Total .....	–	–	1,039,340	1,039,340

As of December 31, 2012, a total of approximately 1,039,340 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in April 2013 and to be completed in December 2017. These future developments are planned to comprise high-rise apartments, townhouses, detached villas, offices and parking spaces with a saleable/rentable GFA of approximately 661,520 sq.m., 102,334 sq.m., 26,412 sq.m., 13,917 sq.m. and 235,157 sq.m., respectively. Pre-sales are scheduled to commence in August 2013.

Zhaomu Mountain Lot is being developed by Chongqing Yejin Real Estate Development Co., Ltd., a subsidiary of our Company.

### Hangzhou

#### Xixi Lot (西溪地塊)

Xixi Lot is located in the Yuhang District of Hangzhou. The project is part of a high-end residential area close to the Xixi National Wetlands Park. We acquired the land for the project for an aggregate consideration of RMB620.0 million through a listing-for-sale process in November 2012.

We intend to develop Xixi Lot into a high-end residential project, consisting mainly of mid-rise apartments and townhouses. The project has a site area of approximately 89,685 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 76,183 sq.m. The development of the project is not divided into multiple phases. Construction is scheduled to commence in June 2013 and to be completed in November 2014. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
<b>Type of property product</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
Residential properties .....	–	–	76,183	76,183
Mid-rise apartments.....	–	–	45,590	45,590
Townhouses.....	–	–	30,593	30,593
Parking spaces .....	–	–	–	–
Total .....	–	–	76,183	76,183

As of December 31, 2012, a total of approximately 76,183 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in June 2013 and to be completed in November 2014. These future developments are planned to comprise mid-rise apartments and townhouses with a saleable/rentable GFA of approximately 45,590 sq.m. and 30,593 sq.m., respectively. Pre-sales are scheduled to commence in September 2013.

Xixi Lot is being developed by Hangzhou Sunac Real Estate Development Co., Ltd., a subsidiary of our Company.

#### Wangjiangfu Project (望江府項目)

Wangjiangfu Project is located in the Qianjiang New Town in the Jianggan District of Hangzhou. Qianjiang New Town is being developed as the new central business district of Hangzhou and is expected to become a new urban center of Hangzhou. Hangzhou Wangjiangfu Zhiye Co., Ltd. (“Hangzhou Wangjiangfu”) acquired the land for the project for an aggregate consideration of RMB1,120.0 million through a listing-for-sale process in December 2012.



We intend to develop Wangjiangfu Project into a high-end residential project, consisting mainly of high-rise apartments and parking spaces. The project has a site area of approximately 20,480 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 125,662 sq.m. The development of the project is not divided into multiple phases. Construction is scheduled to commence in July 2013 and to be completed in July 2015. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	<b>Saleable/rentable GFA</b>			<b>Total</b>
	<b>Completed</b>	<b>Under development</b>	<b>Future development</b>	
<b>Type of property product</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>	<b>(sq.m.)</b>
Residential properties .....	-	-	54,220	54,220
High-rise apartments .....	-	-	54,220	54,220
Parking spaces .....	-	-	4,222	4,222
Total .....	-	-	58,442	58,442

As of December 31, 2012, a total of approximately 58,442 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in July 2013 and to be completed in July 2015. These future developments are planned to comprise high-rise apartments, and parking spaces with a saleable/rentable GFA of approximately 54,220 sq.m., and 4,222 sq.m., respectively. Pre-sales are expected to commence in October 2013.

Wangjiangfu Project is being developed by Hangzhou Wangjiangfu. We entered into agreement to acquire a 50% equity interest in Hangzhou Wangjiangfu from Hangzhou Chengjian Development Group Co., Ltd. in February 2013. As of the date of this offering memorandum, this transaction has not been completed.

#### Zhijiang River Holiday Village Project (之江度假村項目)

Zhijiang River Holiday Village Project is located in the Binjing District of Hangzhou. With its view of the Qiantang River and the Song Dynasty Liuhe Pagoda and its proximity to the Chinese Academy of Art, we believe the project has one of the most advantageous locations in the area and we believe that it has significant potential for appreciation in investment values. Summer Sky acquired the land for the project for an aggregate consideration of RMB1,601.7 million through a listing-for-sale process in February 2013.

We intend to develop Zhijiang River Project into a high-end residential project, consisting mainly of high-rise apartments, retail properties, and parking spaces. The project has a site area of approximately 58,184 sq.m. and a planned aggregate GFA (including saleable/rentable and non-saleable/rentable GFA) of approximately 250,153 sq.m. The development of the project is not divided into multiple phases. Construction is scheduled for completion in 2016. The following table sets forth the saleable/rentable GFA information with respect to the development status of the project as of December 31, 2012:

	Saleable/rentable GFA			Total (sq.m.)
	Completed (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	
<b>Type of property product</b>				
Residential properties .....	-	-	250,153	250,153
High-rise apartments .....	-	-	250,153	250,153
Total .....	-	-	250,153	250,153

As of December 31, 2012, a total of approximately 250,153 sq.m. of planned saleable/rentable GFA was held for future development. Construction is scheduled to commence in August 2013 and to be completed in December 2016. These future developments are planned to comprise high-rise apartments with a saleable/rentable GFA of approximately 250,153 sq.m. Pre-sales are expected to commence in November 2013.

Zhijiang River Project is being developed by Summer Sky. We entered into agreement to subscribe for shares representing a 49% equity interest in Summer Sky in March 2013. As of the date of this offering memorandum, this subscription has not been completed.

### Project Management

We conduct our project development operations primarily through certain of our subsidiaries and associates. These companies are responsible for the day-to-day operations of our projects, while our group headquarters generally oversees and supports each of these companies and participates in the making of significant decisions for the projects. We established this management structure primarily because of the importance of local market conditions and other local factors to the property development industry in China. We believe this management structure is key to our internal controls and helps enhance our work efficiency.

We have established several departments at our headquarters, including the Research and Development Center, Project Management Department, Cost and Contract Department, Marketing Center, Property Management Department, Finance Management Department, Accounting Management Department, Auditing Department, Information Management Department and General Administration Department, to oversee, support and facilitate the operations of each of our subsidiaries and associates in various areas. These include project bidding, product positioning, design, cost planning, public tenders, contract preparation, construction, marketing and sales, property management and other after-sales services and support, financing, legal matters, human resources and other daily operations.

We pay special attention to certain decisions or actions in our business process that could significantly affect our operating results. These key decisions or actions relate to land acquisition, project positioning, performance indicators, project design, marketing strategies, pricing management, target cost management, selection of general construction contractors, quality control, ancillary facilities planning, pre-move-in inspection and property management. The senior management of our group headquarters and the senior management of our subsidiaries and associates, through holding discussions or meetings, review and make decisions on such key decisions or actions. With respect to our associates, certain of these key decisions are subject to approval of their board of directors. We also intend to strengthen the day-to-day management of our companies through inspections and audits to enhance the effectiveness of our operational management. In addition, our group headquarters exercises vertical management over the financial teams of our operating subsidiaries, appointing the deputy financial director and the manager directly for each of them and determining the compensation of these executives. We believe this can help enhance the internal control of our financial management and daily operations of our projects.

At the local project level, our subsidiaries and associates are responsible for the day-to-day project development operations. These companies generally establish their Development Department, Planning and Design Department, Sales Department, Project Development Department, Construction Department, Cost Planning Department, After-sales Services Department, Finance Department and General Administration Department. These departments are supported by and report to the corresponding departments at our group headquarters.

### **Company Awards**

In recent years, we have won many awards for our significant achievements in the property sector nationwide or region-wide, including:

- We ranked eighth among the “2012 Top 10 Brands of China Real Estate Companies” (2012中國房地產公司品牌價值TOP 10) and were recognized as one of the “Top 10 North China Real Estate Company Brands” (中國華北房地產公司品牌價值Top 10) for five consecutive years from 2007 to 2011 and one of the “Leading China Real Estate Company Brands for Urban Complexes” (中國房地產都市綜合體專業領先品牌) for four consecutive years from 2007 to 2010 by the China Real Estate Top 10 Research Team, an organization jointly established by the Enterprise Research Institute of the Development Research Center of the PRC State Council, the Real Estate Research Institute of Tsinghua University and the China Index Academy;
- We received the “Most Influential Real Estate Company in China in 2012” (2012年中國最具影響力地產企業) and “Most Valuable Public Real Estate Company in China in 2011” (2011年中國最具價值地產上市企業) awards at the Boao Real Estate Forum jointly sponsored by Guandian.cn, National Business Daily, Focus.cn, China Times, among others;
- In 2012, we ranked 17th on the “2012 Top 100 Chinese Public Real Estate Companies” (2012中國房地產上市公司百強) list, 14th on the “2012 Top 20 Corporate Brand Value of China Property Developers” (2012中國房地產企業品牌價值20強) list and fifth on the “2012 Top Five Operating Performance of Chinese Public Real Estate Companies” (2012中國房地產上市公司經營績效5強) list published by China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal;

- In 2012, we received the “Excellent Brand Enterprise” (卓越品牌企業獎) award by Chinese Golden Stone Award for Architecture (中華建築金石獎) given by Chinese Educational, Scientific and Cultural Development Association and the Organization Committee for the Chinese Golden Stone Award for Architecture;
- In 2012, we received the “Chinese Outstanding Management Model” (中國管理模式傑出獎) award and the “Excellent Operation” (卓越運營獎) award by Chinese Society for Management Modernization, Peking University and Tsinghua University;
- We were recognized as a “Chinese Blue Chip Real Estate Enterprise” (中國藍籌地產獲獎企業) in September 2012 by The Economic Observer;
- In 2011, we received the “Real Estate Brand of 2010” (2010年度品牌地產企業) award at the 2011 Sina Leju Summit jointly sponsored by the China Real Estate Information Corporation, Sina Leju and the Finance Channel of Beijing TV;
- In 2011, we received the “Excellent High-End Real Estate Enterprise in Mainland China” (大陸地區高端地產卓越企業) award at the 19th Chinese Golden Stone Award for Architecture (中華建築金石獎) given by the Chinese Educational, Scientific and Cultural Development Association and the Organization Committee for the Chinese Golden Stone Award for Architecture;
- In 2010, we were recognized as having one of the “Top 10 Most Influential China Real Estate Company Brands” (2010房地產十大影響力品牌大獎) by NetEase.com, Inc.; and
- In 2010, we received the “Most Responsible Real Estate Brand in 2010” (2010年度責任品牌地產) award at the 11th China Real Estate Development Annual Conference jointly sponsored by the Enterprise Research Institute of the Development Research Center of the PRC State Council, the Policy Research Center of the PRC Ministry of Housing and Urban Development, the Real Estate Research Institute of Tsinghua University, China Index Academy and SouFun.com.

## **Project Development**

In developing a project, we follow a systematic process of planning and execution while seeking to maintain a high degree of flexibility in order to accommodate new developments in the fast-evolving business and regulatory environment of China’s property market. Although each project development is unique and is designed to cater to the preferences of specific target markets, the description below summarizes the major stages involved in developing properties for sale.

### ***Land Selection and Acquisition***

#### *Site Selection*

Site selection is one of the most important and fundamental steps in the property development process. An experienced team composed of our Chief Executive Officer, representatives from the Research and Development Center and Sales Management Department at our group headquarters, and the general manager and other representatives of the Development Department of our relevant local company is responsible for identifying sites for prospective property development in each of our focus regions. We generally consider the following criteria, among others, when deciding whether to pursue a site at a particular time:

- the prevailing macroeconomic conditions and governmental policies of the city in which the site is located;
- the potential of the local property market in which the site is located;

- the geographic location, project scale, accessibility to transportation, environment, supporting infrastructure and public facilities of the site;
- the supply and demand and other market conditions of surrounding markets; and
- the projected cash flow arrangement, costs, pricing and return on investment in respect of the project.

Site selection also involves many other departments. In general, each of the Development Department, Sales Department and Planning and Design Department of our relevant subsidiary will assist in the site identification process by performing research and analysis relating to the market trends and conditions and completing a market positioning report. The Sales Management Department and Research and Development Center at the group headquarters will also be involved if we are considering entering a new city. The Planning and Design Department of our subsidiary will then prepare a planning and design proposal based on the market positioning report and provide it to the design firm we selected. The Cost Planning Department will prepare the cost calculation, and the Finance Department will assess the anticipated cash flow and profits. The Development Department will then prepare a preliminary feasibility study and report the results to the Chief Executive Officer's office, after which, if the study is well-received, the Chief Executive Officer's office will become more actively involved in inspecting and assessing the land site. Lastly, the Chief Executive Officer will present to our board of directors a final proposal on the acquisition and development of the relevant land parcels and seek its approval.

#### *Land Acquisition*

We use and plan to use a variety of channels to acquire land interests, which include:

- acquiring from governments through public tenders, auctions and listing-for-sale;
- purchasing from existing non-governmental land-interest holders pursuant to land transfer agreements;
- establishing joint ventures with companies which have acquired or are well-positioned to acquire interests in land or acquiring equity interests in other companies engaged in property development;
- investing in or taking over under-valued companies which have acquired interests in land; and
- selectively seeking primary land development opportunities from local governments, by which we believe we can gain important insight into the land parcels and the related government development plans and therefore be better positioned to successfully acquire the land in the subsequent public tender, auction or listing-for-sale process.

In addition to the above channels, we also acquired land interests in the past through land grant from the government pursuant to agreements entered into directly with the relevant government authority. In July and August 2003, our subsidiary Sunac Zhidi acquired the land interests in connection with the Sunac Mind-Land International and Sunac Joy Downtown projects, respectively, pursuant to land grant contracts entered into directly with the Planning and State-Owned Land and Resources Bureau of Tianjin Municipality. On March 31, 2004, the MLR of the PRC and the Ministry of Supervision of the PRC issued the Notice Regarding Supervision Work of Legal Enforcement Situation of Granting Business Land Use Rights Through Tender, Auction or Listing-for-Sale (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知), which requires that effective from August 31, 2004, land designated for business purposes shall be granted through tender, auction or listing-for-sale and may not be granted pursuant to agreements entered into directly with local governments for any historical reasons. We therefore no longer rely on land grant contracts with the government as one of our land acquisition channels.

In conjunction with the acquisition of land interests from the PRC government, property developers in the PRC are required to pay a land grant fee to the relevant government authority and apply for the land use right certificate in relation to the land interests. See also “– Overview of Our Property Development Business” for information relating to certain land parcels for which we have not obtained the land use right certificates.

### *Project Financing*

Our financing methods vary from project to project. Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引), issued on August 30, 2004, a property developer applying for property development loans must have, as its own working capital, at least 35% of the capital required for the development of the project. We are therefore required to fund at least 35% of our property developments with internal resources. On June 5, 2003, the PBOC published the Notice on Further Strengthening the Management of Loans for Property Business (中國人民銀行關於進一步加強房地產信貸業務管理的通知), which prohibits commercial banks from advancing loans to fund the payment of land grant fees. As a result, we may use only our own funds to pay for land grant fees. Following the Opinion on Adjusting the Housing Supply Structures and Stabilizing House Prices (關於調整住房供應結構穩定住房價格的意見) promulgated by the State Council on May 24, 2006, the credit conditions on property development became further regulated to deter property developers from using bank loans to accumulate land. Pursuant to these regulations, commercial banks in the PRC were not permitted to provide loans to property developers failing to meet loan conditions, such as having less than 35% of the project capital required for development, and commercial banks had to require property developers to obtain land use right certificates and have at least 35% of the project capital required for a development prior to a loan grant. In May 2009, the State Council issued the Notice on Adjusting the Proportions of Registered Capital in Fixed Asset Investment Projects, which has lowered the minimum capital ratio for commercial and high-end residential property projects from 35% to 20%.

Historically, we have financed our operations by relying primarily on project loans and other financing facilities from PRC banks and trust companies, internally generated cash flows (including proceeds from the pre-sale and sale of properties), capital raised from exchangeable bond investors, trust financing, and proceeds from equity and debt issuances in the international capital markets. We intend to continue relying on some or all of these sources of funding in the future and may also obtain loans and other financing facilities from offshore banks and raise further capital by issuing additional debt securities.

See “Risk Factors – Risks Relating to Our Business – We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations.”

### *Project Design*

Project design is a critical step of the project development process. It typically takes approximately six months to develop the market positioning and design of a project. First, the Sales Department and Planning and Design Department of our companies are responsible for researching the needs of our target customers and determining the market positioning of each project accordingly. Such research is instrumental in achieving a competitive design that not only appeals to our target customers but also caters to their needs. The Planning and Design Department of our companies will then prepare the detailed timetable for the design process, determine the design budget and prepare the plan for selecting a design firm, all of which are subsequently reported to the Research and Development Center at our group headquarters for approval. The Research and Development Center is responsible for running meetings to discuss and review the project positioning, planning and design of a project.

The Planning and Design Department of our companies is responsible for leading and managing the design process of the particular project. In general, it outsources the design work to reputable international design firms, such as EDAW, D.P. and Peddle Thorp, and Chinese design firms such as Beijing Institute of Architectural Design, China Beijing Architectural Design and Research Institute Ltd., Chongqing Architectural Design Institute and China CTDI Engineering Corporation, which are generally third-party firms independent from us. Throughout the design process, the Planning and Design Department will work closely with such outside firms and monitor their work to ensure the project design meets our quality standards and reflects our desired market positioning of our products. During the construction stage, our professional engineers at the Planning and Design Department will also closely monitor the quality of property products to ensure the proper execution of the design plan.

### ***Pre-construction Planning***

#### *Regulatory Approvals*

According to PRC regulations, once we have obtained the interests in land for the development of a project, we must obtain various government approvals in order to commence the planning and construction of the properties. In particular, we have to apply for and obtain the following permits before construction may commence:

- Construction land planning permit, which allows a developer to conduct the survey, planning and design of a parcel of land;
- Construction works planning permit, which allows a developer to perform the overall planning and design of a project and to apply for a construction permit; and
- Construction permit, which is required for the commencement of construction.

#### *Procurement*

We centrally procure certain supplies in bulk for all of our projects, including primarily air-conditioners, elevators and paint. The Project Management Department at our group headquarters is responsible for the centralized procurement of these supplies through the process of public tenders. It typically solicits price quotes from at least three well qualified suppliers and selects a shortlist of suppliers meeting our requirements after multiple rounds of discussions and bid revisions. It will then select the winning bidder based on the selection criteria set forth in the request-for-tender document. The Project Management Department will also finalize the prices, payment terms, delivery arrangement and other terms with the winning bidder. We believe that our centralized procurement procedures enable us to benefit from economies of scale as well as stronger bargaining power, thereby lowering our costs and delivering better value to our customers.

Our construction contractors are generally responsible for procuring construction materials themselves, including, for example, steel, cement, sand and stone.

### ***Construction***

Project construction commences once we obtain the construction permit for a project. Construction is usually the longest step of the project development process, taking up to 15 to 20 months or longer, based on the types of properties developed. In general, we outsource our construction work entirely to independent third parties. For the years ended December 31, 2010, 2011 and 2012, approximately 13.8%, 11.9% and 11.5%, respectively, of our total purchases were attributable to our five largest construction contractors and approximately 5.2%, 3.2% and 2.7%, respectively, of our total purchases were attributable to our largest construction contractor.

The Construction Department and Cost Planning Department of our companies coordinate with each other to review the bidding proposals and select the winning contractors for each project, and report to our group headquarters for approval. Upon the commencement of construction for each project, the Construction Department of the relevant company becomes responsible for managing the day-to-day operations of the contractor, monitoring the work progress and maintaining quality control. The Construction Department continually monitors the progress and quality of construction to maintain quality control and effective execution of the construction plan. The Cost Planning Department also monitors the construction activities to maintain effective control over costs.

### *Cost Control*

We have a disciplined approach to cost management. Our management team and each project team closely manage and monitor each stage of our project developments in order to maximize capital and cost efficiency:

- *Design, procurement and construction.* We have implemented a standardized operational model for design and material procurement. We select our third-party contractors and suppliers of equipment and materials through a tender process, taking into consideration their track record performance, work quality, proposed delivery schedules and costs in our selection process. Through such a selection process, we seek to maintain our construction costs at a reasonable level without compromising quality. We are able to limit construction cost through our centralized tender process, and significantly reduce material and equipment cost through economies of scale and centralized procurement.
- *Sales and marketing.* Based on the requirements of each project, we may establish a marketing budget for the relevant project. We seek to effectively manage our budgeted sales and marketing expenses to improve cost-efficiency.
- *Management.* We adopt well-planned and efficient management system and measures over our project development process to reduce management and operating expenses.

### *Quality Control*

We place a strong emphasis on quality control to ensure our subsidiaries and associates provide high-quality properties and services to our customers. For example, we have formulated detailed management policies on project supervision and quality control, by which all relevant departments at our group headquarters and of our companies are required to strictly abide. Our construction contractors also have to follow our quality control procedures.

In order to ensure quality standards, we generally require that our materials and equipment supplies have certain quality certifications or obtain certain authorizations and have passed our examination prior to their use and installation. In addition, engineers of the construction departments of our companies typically conduct on-site inspections on a daily basis. In connection with quality control checkpoints, inspections have to be performed under the supervision of project supervisors. Upon the discovery of any issues, the engineers have to propose relevant plans to resolve the issues and follow up on the implementation.

In order to ensure our completed properties meet the relevant quality standards, our group headquarters and our companies routinely perform inspections of properties prior to their delivery to our customers.



## *Sales and Marketing*

The Sales Department of each of our companies is responsible for planning and implementing work related to sales and marketing for the relevant projects. Each company typically proposes the selling prices of the properties, the sales and marketing expenditures plan and the marketing strategies for the relevant projects and reports to the Sales Management Department of our group headquarters for its review and approval. Planning and control for sales and marketing expenditures and pricing management are some of the key tasks managed by our group headquarters. The Sales Management Department is responsible for running review meetings to discuss and approve such proposals. Key management employees at our group headquarters such as the Chief Executive Officer, President and main Vice Presidents are required to participate in such review and approval process.

Each of our companies is responsible for determining the prices of property products and executing a range of sales and marketing activities for the relevant projects. In general, our companies will determine the prices based on the competitive landscape and other relevant market factors, with the goal of achieving our profit targets while maintaining a balanced cash flow position. They will also strive to build up the presence and recognition of our project and corporate brands before the launching of pre-sales or sales. For example, in respect of our Sunac Magnetic Capital, Sunac Mind-Land International, Sunac Olympic Garden and Sunac Swan Lake projects, we believe that we have developed and maintained a high level of brand recognition, brand rating and brand loyalty. Using our understanding of our target customers, we perform a range of sales and marketing activities through various channels to maintain our relationships with existing customers and to reach potential purchasers. We advertise on various media including newspapers, magazines, the Internet, billboards and other outdoor media.

We highly value the capability as well as the energy and commitment of our sales force. As of December 31, 2012, our marketing and sales force comprised 685 employees. We do not engage third-party sales agents to sell properties for us. The Sales and Marketing Department of each of our companies is responsible for managing its own sales team. We conduct training sessions on market conditions, sales techniques, knowledge of the property market, among others topics, for our staff from time to time and also conduct specific training for each project prior to the commencement of its pre-sales. We, through our subsidiaries and associates, offer performance-based remuneration packages for our sales force in order to create incentives for them to achieve our sales goals.

### *Pre-sale*

We typically conduct pre-sales of our properties prior to the completion of a project or a phase of the project, subject to satisfaction of certain requirements set forth in laws and regulations governing the pre-sale of properties. Under the Law of the Administration of Urban Property of the PRC (中華人民共和國城市房地產管理法) and the Administrative Measures Governing the Pre-sale of Urban Property (城市商品房預售管理辦法) as amended in 2007 and 2004, we must meet the following conditions prior to commencing any pre-sales of a given property development:

- the land grant fee has been fully paid and the relevant land use right certificates have been obtained;
- the relevant permits required for the planning and construction of the property have been obtained;
- the funds contributed to the development of the project must reach 25% or above of the total amount to be invested in the project;

- the expected completion date and delivery date of the construction work have been ascertained; and
- the pre-sale permits must have been obtained from the relevant local government authorities.

In addition to the above conditions, various local regulations in each of our target cities stipulate further conditions that must be met before obtaining the pre-sale permits.

#### *Payment Arrangements*

Purchasers of our properties, including those purchasing properties for pre-sale, may arrange for mortgage loans with banks. The need for mortgages among our purchasers is prevalent. Because of the financial risks involved, we do not provide loans directly. However, in accordance with industry practice, we provide short-term guarantees to banks with respect to the mortgage loans offered to our purchasers. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2010, 2011 and 2012, we had outstanding guarantees for mortgage loans of our purchasers in the amount of RMB3,769.6 million, RMB1,975.7 million and RMB5,124.2 million (US\$822.5 million), respectively. We have not experienced any material default on mortgage loans guaranteed by us as of December 31, 2012 but cannot guarantee that we will not incur losses on any defaults in the future. See “Risk Factors – Risks Relating to Our Business – We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments.”

The payment terms for sales and pre-sales of properties are substantially identical. We typically require our purchasers to pay a non-refundable deposit before entering into formal purchase agreements. Upon executing the purchase agreements, those purchasers who choose to make a lump-sum payment are typically required to make full payment of the total purchase price of the property. If the purchaser chooses to fund his or her purchase using mortgage loans provided by banks, under current PRC laws and regulations they may obtain mortgage loans of up to the maximum amount allowed under PRC law, with a repayment period of up to 30 years. These purchasers must pay the remaining balance of the purchase price that is not covered by the mortgage loans prior to the disbursement of the mortgage loans from the mortgagee banks.

#### *Delivery and After-sale Service*

The Customer Service Department of each of our subsidiaries or associates engaged in property development is responsible for managing the delivery of properties and providing customer services after the sale of properties.

#### *Delivery*

We endeavor to deliver our products to our customers on a timely basis. We closely monitor the progress of construction of our property projects and conduct pre-delivery property inspections in an effort to ensure timely delivery. The timetable for delivery is set forth in the purchase agreements entered into with our purchasers of pre-sale properties. Once we have performed various inspections and obtained the certificate of completion, we will notify our purchasers concerning the delivery. The purchase agreements in general contain liquidated damages clauses that set forth the amount of damages payable by the relevant group company or project company typically for each day of delay. See “Risk Factors – Risks Relating to Our Business – We may not be able to complete our property development projects on time or at all.”

We are typically required to obtain a general property ownership certificate for each of our completed projects and in general will assist our customers in obtaining their property ownership certificates. We may be subject to the risks involved in obtaining property ownership certificates. See “Risk Factors – Risks Relating to Our Business – We may be liable to our customers for damages if we fail to assist our customers in obtaining individual property ownership certificates in a timely manner.”

#### *Property Management*

The residential and commercial properties developed by our subsidiaries and associates are managed either by (i) Sunac Property Management or its subsidiaries, which we acquired in March 2010, (ii) APEV Property Management, which we acquired in January 2011, or (iii) third-party property management companies in the PRC. We support and oversee these property management companies in their provision of services for and handling complaints of our purchasers, tenants and retail customers. For more information on our property management operations, see “– Property Management” below. With respect to our commercial properties, our project companies also have specialized staff in charge of soliciting merchants and administering and auditing rental payments.

#### **Leasing**

We held a total of approximately 118,462 sq.m. rentable GFA in Sunac Magnetic Capital and Sunac Joy Downtown for lease to commercial tenants as of December 31, 2012. For example, we leased three sizeable retail properties in Sunac Magnetic Capital to a supermarket, a cinema and an appliance retailer, with a total rentable GFA of approximately 34,234 sq.m., for a lease term of 10 to 20 years each. We also held certain properties in Sunac Joy Downtown with a total rentable GFA of approximately 13,751 sq.m. for lease to a variety of commercial tenants, including entertainment establishments and restaurants, for a lease term of 8 to 20 years each. In addition, as of December 31, 2012, we held underground parking spaces in Sunac Magnetic Capital for rent, with a total rentable GFA of approximately 61,438 sq.m.

In order to promote the business of commercial tenants and thus the value of our properties, we cooperate with various companies and professional firms in commercial management. We have successfully solicited well-established merchants to lease our commercial properties in Sunac Magnetic Capital and Sunac Joy Downtown. These merchants include E-MART, the large supermarket chain in the PRC; Jinyi International Cinemas, a well-established cinema chain from Guangzhou; and Suning Appliance, one of the largest retailers of electronics and appliances in the PRC.

#### **Property Management**

We have in the past engaged third-party property management companies to manage all our completed property developments. In March 2010, we began to provide property management services, through our wholly owned subsidiary Sunac Property Management or its subsidiaries, to our completed residential and commercial properties. Our property management services generally include security, maintenance of common facilities and gardening and landscaping services. Our Group headquarters supports and oversees the provision of property management services by Sunac Property Management and its subsidiaries in respect of the relevant properties. The owners of the properties managed by us are entitled to collectively review the services with us periodically and decide to renew or discontinue their service contracts. As of December 31, 2012, we managed most of our completed residential and commercial properties. In addition to managing our properties, Sunac Property Management also provides property management services to a public facility in Tianjin.

Certain of our completed properties are currently managed by independent third parties. These include, for example, the retail and office space at Sunac Magnetic Capital and Sunac Joy Downtown. See also “– Intellectual Property Rights” below. We may seek to provide property management services to these properties as well in the future.

Our completed properties at Sunac Asia Pacific Enterprise Valley are currently managed by APEV Property Management, our wholly-owned property management company.

### **Customers**

Our customers are principally individual purchasers from the PRC. With respect to residential properties, we focus on developing high-end properties for medium to high-income target customer segments. Local residents constitute the core customer base for our projects. In addition, because of our strong brand recognition and brand influence, we have generated demand from residents in the neighboring areas of each project as well as high-income residents from foreign countries.

### **Competition**

The property industry in the PRC is highly competitive. We compete with other property developers based on a number of factors including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Our existing and potential competitors include major domestic property developers in the PRC, and our competitors differ from city to city. Some of our competitors may have greater financial, marketing, land and other resources than we, through our subsidiaries and associates, have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets. For more information on competition, see “Risk Factors – Risks Relating to Our Business – Increasing competition in the PRC, particularly in the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou, may materially and adversely affect our business, prospects, financial condition and results of operations.”

### **Intellectual Property Rights**

As of December 31, 2012, our Company and our subsidiaries had registered 251 trademarks, including “**SUNAC**” and “**融创**” under various categories including building construction and real estate affairs in the PRC. We have applied for registration of additional trademarks in the PRC and in Hong Kong. Our applications for several trademarks have been challenged and we cannot assure you that all of our applications for trademark registration will be approved.

We have licensed to two commercial property management companies, namely Tianjin Sunac Commercial Management Co., Ltd. (天津融创商業管理有限公司) and Tianjin Sunac Joy Downtown Commercial Management Services Co., Ltd. (天津融创上谷商業管理服務有限公司), the right to use substantially all of our trademarks registered or under applications in the PRC as set forth in the respective license agreements entered into with each of these two companies on August 26, 2012. These two commercial property management companies are wholly owned by Wanfang Property Management, an independent third party, from whom we acquired Sunac Property Management in March 2010. These two companies have been providing commercial property management services in respect of the retail and office space at Sunac Magnetic Capital and Sunac Joy Downtown, respectively. Pursuant to the license agreements, these two companies may use the licensed trademarks in their company names and in their ordinary course of business in relation to the retail and office space of solely the Sunac Magnetic Capital and Sunac Joy Downtown projects until August 31, 2013. They may not transfer such rights to any third party or authorize any third party to use the licensed trademarks without obtaining our prior consent. We have been advised by our PRC legal advisor, Jincheng Tongda & Neal Law Firm, that in the event of infringement of our intellectual property rights, we may bring a lawsuit to enforce our contractual rights and intellectual property rights or we may seek remedies from the Administration of Industry and Commerce in the PRC, such as injunctions against the inappropriate use of trademarks, seizure of the infringing materials and imposition of penalties.

We are the owner of the domain names of “sunac.com.cn” and “sunac.cn.” We also own domain names for certain of our projects, such as “shidaiaocheng.com.”

### Insurance

In general, our contractors and our property management companies and the relevant third-party property management companies are required to purchase certain insurance coverage for our properties. Our contractors typically have to maintain all-risk and third-party insurance policies for our properties under construction, while our property management companies and the relevant third-party property management companies generally have to maintain all-risk property insurance, equipment damage insurance and public liability insurance for the common areas and amenities of our commercial properties. Consistent with what we believe to be customary practice in the property development industry in the PRC, we do not separately maintain insurance for the destruction of or damage to our property developments, whether they are under development or have been completed prior to delivery; nor do we separately carry insurance against personal injury or other liabilities that may occur during the construction of our property developments or that may arise in the common areas of our completed property developments.

### Social, Health and Safety Matters

Under PRC laws and regulations, an enterprise is required to execute employment contracts with its employees according to the relevant laws and regulations and shall not rescind the employment contract without cause. Employees are entitled to breaks and take annual leave based on the law and provisions as stipulated in their employment contracts. An enterprise is also required to have health and safety policies and provide health and safety training to its staff. It is also required to provide its staff with a safe and hygienic working environment as well as necessary protective equipment. In addition, an enterprise is required to purchase basic medical insurance, pension insurance, maternity insurance, unemployment insurance, and personal injury insurance for its staff and pay the relevant insurance premiums in accordance with relevant laws and regulations. By protecting the interests of our employees, we expect to enhance employee morale and improve our long-term retention of quality personnel.

### Employees

As of December 31, 2012, we had 4,678 full-time employees. The following table sets forth the breakdown of these full-time employees by function as of December 31, 2012:

Function	Number of Employees	Percentage of Total Employees (%)
Chief Executive Officer and general managers .....	39	8.3
Sales and marketing .....	685	14.6
Engineering .....	313	6.7
Property management .....	2,599	55.6
Customer service .....	31	6.6
Contracting and costing .....	166	3.5
Research and development.....	173	3.7
Finance .....	189	4.0
Development.....	16	0.3
Project development.....	104	2.2
Human resources, legal and administration .....	196	4.2
Logistics .....	156	3.3
IT .....	11	0.2
Total .....	4,678	100.0

In the PRC, in accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, childbirth insurance and a housing fund.

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

### **Environmental Matters**

Our subsidiaries and associates that are engaged in property development are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental impact assessment and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. When there is a material change with respect to the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. During the course of construction, the property developer must take measures to prevent air pollution, noise emissions and water and waste discharge. In addition, our subsidiaries and associates contract construction works to independent third parties and, pursuant to the terms of the construction contracts, such contractors and subcontractors are required to comply with the environmental impact assessment and the conditions of the subsequent approval granted by the relevant government authority. During construction, our project management teams supervise the implementation of the environmental protection measures.

In addition, PRC environmental laws and regulations provide that if a construction project includes environmental facilities (including engineering projects, devices, monitors and other facilities that were constructed or equipped in order to prevent pollution and protect the environment), such facilities will have to pass an inspection by the environmental authorities, and an approval must be obtained before the environmental facilities can commence operations. If a construction project does not include any environmental facilities, no such approval is required. Our business is of such a nature that we are not required to construct environmental facilities and therefore no approval of environmental facilities from the environmental authorities is necessary.

Except for fees paid to independent experts for the preparation of environmental assessment report as mentioned above, we were not required to pay, nor did we incur, any cost of compliance with applicable environmental laws and regulations during the three years ended December 31, 2012.

### **Legal Proceedings**

From time to time, we, together with our subsidiaries and associates, have been involved in legal proceedings or other disputes in the ordinary course of our business, which are primarily disputes with our contractors and customers, and we have not incurred material legal costs and expenses in view of our overall operating results. As of the date of this offering memorandum, we are not aware of any material legal proceedings, claims, disputes, penalties or liabilities currently existing or pending against us that may have a material adverse impact on our business, financial condition or results of operations.

## ACQUISITION OF GREENTOWN PROPERTY PROJECTS

On June 22, 2012, Sunac Zhidi entered into a cooperation framework agreement (the “Framework Agreement”) with Greentown Real Estate, a wholly owned subsidiary of Greentown China Holdings Limited (綠城中國控股有限公司) (“Greentown China”), pursuant to which:

- Sunac Zhidi conditionally agreed to acquire, and Greentown Real Estate conditionally agreed to dispose of, an effective 50% interest in the equity interests held by Greentown Real Estate (“Equity Interest 1 to 8”) in Shanghai Huazhe Bund Real Estate Co., Ltd. (上海華浙外灘置業有限公司) (“Target Company No. 1”), Shanghai Lvshun Real Estate Development Co., Ltd. (上海綠順房地產開發有限公司) (“Target Company No. 2”), Suzhou Greentown Yuyuan Real Estate Development Co., Ltd. (蘇州綠城禦園房地產有限公司) (“Target Company No. 3”), Suzhou Greentown Rose Garden Real Estate Development Co., Ltd. (蘇州綠城玫瑰園房地產開發有限公司) (“Target Company No. 4”), Wuxi Greentown Real Estate Development Co., Ltd. (無錫綠城房地產開發有限公司) (“Target Company No. 5”), Wuxi Taihu Greentown Real Estate Co., Ltd. (無錫太湖綠城置業有限公司) (“Target Company No. 6”), Changzhou Greentown Real Estate Co., Ltd. (常州綠城置業有限公司) (“Target Company No. 7”) and Tianjin Yijun Investment Co., Ltd. (天津逸駿投資有限公司) (“Target Company No. 8”) by way of (i) the establishment of an equity joint venture enterprise (the “JV Company”) to be owned as to 50% by Sunac Zhidi and 50% by Greentown Real Estate; and (ii) the acquisition of Equity Interests 1 to 8 by the JV Company from Greentown Real Estate; and
- upon formation of the JV Company, Sunac Zhidi conditionally agreed to acquire, and Greentown Real Estate conditionally agreed to dispose of, an effective 50% interest in Shanghai Greentown Woods Golf Villas Development Co., Ltd. (上海綠城森林高爾夫別墅開發有限公司) (“Target Company No. 9”).

The aggregate consideration (after adjustment) payable by Sunac Zhidi for the above transactions (the “Transactions”) is RMB3,357.9 million.

The Transactions were completed on October 22, 2012.

### Formation of the JV Company

Pursuant to the terms of the Framework Agreement, the JV Company has been established in August 2012 with a paid-in capital of RMB400 million and a registered capital of RMB2 billion. The JV Company is owned by Sunac Zhidi and Greentown Real Estate in equal shares and will be accounted for as a subsidiary of ours. The name of the JV Company is Shanghai Sunac Greentown Investment Holding Co., Ltd. (上海融創綠城投資控股有限公司). As of December 31, 2012, the registered capital of RMB2 billion of the JV Company has been fully paid up.

### Basis of Consideration

The consideration after adjustment of RMB3,357.9 million payable in cash by Sunac Zhidi in respect of the Transactions represents 50% of the Greentown Real Estate’s total entitlements in Target Companies No. 1 to 9 in the amount of approximately RMB6,715.9 million as of June 30, 2012.

The aforesaid amount of RMB6,715.9 million comprises the following parts:

- (1) the total capital of RMB2,257.4 million contributed by Greentown Real Estate in Target Companies No. 1 to 9;

- (2) outstanding shareholders' loans in the amount of RMB2,790.1 million owing by Target Companies No. 1 to 9 to Greentown Real Estate;
- (3) interest accrued on the aforesaid shareholders' loans up to June 30, 2012 in the amount of RMB426.9 million; and
- (4) estimated undistributed profits of certain Target Companies attributable to Greentown Real Estate for the period up to June 30, 2012 in the amount of RMB1,241.4 million.

The Framework Agreement provides that the consideration before adjustment was RMB3,372.1 million and that the consideration shall be subject to adjustment to be agreed between Sunac Zhidi and Greentown Real Estate upon completion of the due diligence exercise to be conducted by Sunac Zhidi. With reference to the audited financial information and the due diligence exercise conducted, Sunac Zhidi and Greentown Real Estate mutually agreed to adjust the consideration from RMB3,372.1 million to RMB3,357.9 million.

### Acquisition of Nine Target Companies

Following the formation of the JV Company, Greentown Real Estate transferred or caused to be transferred to the JV Company equity interests in Target Companies No. 1 to 8:

Target Company No.	Name of Target Company	Name of the Project	Equity Interest to Be Transferred or Caused Transferred by Greentown Real Estate	Capital Contributed by Greentown Real Estate for Such Equity Interest
1	Shanghai Huazhe Bund Real Estate Co., Ltd. (上海華浙外灘置業有限公司)	Greentown, Shanghai Bund House (綠城•上海黃浦灣)	51%	RMB60.5 million
2	Shanghai Lvshun Real Estate Development Co., Ltd. (上海綠順房地產開發有限公司)	Greentown, Shanghai Yulan Garden (綠城•上海玉蘭花園)	100%	RMB1,000 million
3	Suzhou Greentown Yuyuan Real Estate Development Co., Ltd. (蘇州綠城禦園房地產開發有限公司)	Greentown, Suzhou Majestic Mansion (綠城•蘇州禦園)	90.5%	RMB226.3 million
4	Suzhou Greentown Rose Garden Real Estate Development Co., Ltd. (蘇州綠城玫瑰園房地產開發有限公司)	Greentown, Suzhou Rose Garden (綠城•蘇州玫瑰園)	66.67%	RMB240.0 million
5	Wuxi Greentown Real Estate Development Co., Ltd. (無錫綠城房地產開發有限公司)	Greentown, Wuxi Yulan Garden (綠城•無錫玉蘭花園)	85%	RMB86.7 million



<b>Target Company No.</b>	<b>Name of Target Company</b>	<b>Name of the Project</b>	<b>Equity Interest to Be Transferred or Caused Transferred by Greentown Real Estate</b>	<b>Capital Contributed by Greentown Real Estate for Such Equity Interest</b>
6	Wuxi Taihu Greentown Real Estate Co., Ltd. (無錫太湖綠城置業有限公司)	Greentown, Wuxi Taihu Project (綠城•無錫太湖項目)	39%	RMB117.0 million
7	Changzhou Greentown Real Estate Co., Ltd. (常州綠城置業有限公司)	Greentown, Changzhou Yulan Square (綠城•常州玉蘭廣場)	37%	RMB309.9 million
8	Tianjin Yijun Investment Co., Ltd. (天津逸駿投資有限公司)	Greentown, Tianjin Azure Coast (綠城•天津藍色海岸)	80%	RMB8.0 million

In addition, Sunac Zhidi directly acquired 50% equity interest in Target Company No. 9 from Greentown Real Estate upon formation of the JV Company. Greentown Real Estate retained 50% equity interest in Target Company No. 9 upon completion of the transfer.

<b>Target Company No.</b>	<b>Name of Target Company</b>	<b>Name of the Project</b>	<b>Equity Interest to Be Acquired from Greentown Real Estate</b>	<b>Capital Contributed by Greentown Real Estate for Such Equity Interest</b>
9	Shanghai Greentown Woods Golf Villas Development Co., Ltd. (上海綠城森林高爾夫別墅開發有限公司)	Greentown, Shanghai Rose Garden (綠城•上海玫瑰園)	50%	RMB104.5 million

As a result of the Transactions, Target Companies No. 1 to No. 5, Target Company No. 8 and the JV Company have become our subsidiaries, Target Company No. 6 and Target Company No. 9 have become our associates and Target Company No. 7 has become our jointly controlled entity.

### **Completion of the Transactions**

Pursuant to the Framework Agreement, the parties agreed that, as from July 1, 2012, all profits and entitlements derived from (i) Target Companies No. 1 to No. 8 shall belong to the JV Company and the equity interests in these Target Companies shall be taken as if they had already been held by the JV Company; and (ii) Target Company No. 9 shall be shared between Sunac Zhidi and Greentown Real Estate in equal shares.

As both Greentown China and the Company obtained their respective shareholders' approval to the Framework Agreement and the Transactions by way of written shareholders' resolutions passed on June 22, 2012, the Framework Agreement became effective on the same date. The JV Company was established on August 7, 2012. On the same date, Sunac Zhidi and Greentown Real Estate entered into an equity transfer agreement to transfer 50% equity interest in Target Company 9. We paid the consideration under the Framework Agreement in full on September 21, 2012.

### Financial information of the Target Companies

Set forth below are the combined statement of comprehensive income and the combined cash flow statement of Target Companies No. 1 to No. 8 for the six months ended June 30, 2012, which have been derived from the combined financial statements of Target Companies No. 1 to No. 8 included elsewhere in this offering memorandum.

	<b>Six months ended June 30, 2012</b>
	<b>(RMB'000)</b>
<b>Combined statements of comprehensive income data:</b>	
<b>Revenue</b> .....	2,382,910
Cost of sales.....	(1,620,265)
<b>Gross profit</b> .....	762,645
Selling and marketing costs .....	(17,288)
Administrative expenses .....	(18,209)
Other income .....	8,211
Other expenses .....	12,671
<b>Operating profit</b> .....	722,688
Finance income.....	626
Finance costs .....	(120,076)
Share of profit of associates .....	27
Share of profit of jointly controlled entities.....	(10,759)
<b>Profit before income tax</b> .....	592,506
Income tax expenses .....	(350,160)
<b>Profit for the period</b> .....	242,346
<b>Total comprehensive income</b> .....	242,346
<b>Attributable to:</b>	
Equity owners of the JV Target Group .....	96,469
Non-controlling interests .....	145,877
	242,346

	<b>Six months ended June 30, 2012</b>
	<u>(RMB'000)</u>
<b>Combined cash flow statement data:</b>	
<b>Cash flows from operating activities</b>	
Cash generated from operations .....	345,158
PRC income tax paid .....	<u>(167,285)</u>
Net cash generated from operating activities .....	177,873
<b>Cash flows from investing activities</b>	
Collection of loans to related parties .....	134,265
Purchases of property, plant and equipment .....	(349)
Proceeds from disposal of property, plant and equipment.....	<u>2,268</u>
Net cash generated from investing activities .....	136,184
<b>Cash flows from financing activities</b>	
Proceeds from third parties' borrowings.....	807,000
Proceeds from related parties' borrowings.....	159,627
Repayments of borrowings.....	(829,550)
Repayments of borrowings from related parties.....	(30,930)
Guarantee deposits for bank borrowings .....	(101,717)
Interests paid .....	<u>(212,031)</u>
Net cash used in financing activities .....	(207,601)
<b>Net increase in cash and cash equivalents .....</b>	<b>106,456</b>
Cash and cash equivalents at beginning of period .....	<u>98,116</u>
<b>Cash and cash equivalents at end of period.....</b>	<b><u>204,572</u></b>

Set forth below are the consolidated statement of comprehensive income and the consolidated statement of cash flow of Target Company No. 9 for the six months ended June 30, 2012, which have been derived from the consolidated financial statements of Target Company No. 9 included elsewhere in this offering memorandum.

	<b>Six months ended June 30, 2012</b>
	<u>(RMB'000)</u>
<b>Consolidated statements of comprehensive income data:</b>	
<b>Revenue</b> .....	469,135
Cost of sales.....	<u>(229,287)</u>
<b>Gross profit</b> .....	239,848
Selling and marketing costs.....	(9,816)
Administrative expenses.....	(8,052)
Other income.....	13,202
Other expenses.....	<u>(2)</u>
<b>Operating profit</b> .....	235,180
Finance income.....	44
Finance costs.....	<u>(2,043)</u>
Profit before income tax.....	233,181
Income tax expenses.....	<u>(85,755)</u>
<b>Profit for the period</b> .....	<u>147,426</u>
<b>Total comprehensive income</b> .....	<u><u>147,426</u></u>

	<b>Six months ended June 30, 2012</b>
	<u>(RMB'000)</u>
<b>Consolidated statements of cash flow data:</b>	
<b>Cash flows from operating activities</b>	
Cash generated from operations .....	79,094
PRC income tax paid .....	<u>(14,777)</u>
Net cash generated from operating activities .....	<u>64,317</u>
<b>Cash flows from investing activities</b>	
Loans to related parties .....	(465,793)
Collection of loans to related parties .....	367,993
Purchases of property, plant and equipment .....	<u>(1,031)</u>
Net cash used in from investing activities .....	<u>(98,831)</u>
<b>Cash flows from financing activities</b>	
Proceeds from related parties' borrowings .....	100,797
Repayments of borrowings .....	(26,332)
Repayment of borrowings from related parties .....	(12,000)
Interests paid .....	<u>(2,043)</u>
Net cash generated from financing activities .....	<u>60,422</u>
<b>Net increase in cash and cash equivalents</b> .....	<b>25,908</b>
Cash and cash equivalents at beginning of period .....	<u>7,083</u>
<b>Cash and cash equivalents at end of period</b> .....	<u><b>32,991</b></u>

## REGULATION

### Establishment of a Property Development Enterprise

According to the Law of the People's Republic of China on the Administration of Urban Property (中華人民共和國城市房地產管理法) (the "Urban Property Law") promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and revised in August 2007, a property development enterprise is defined as an enterprise which engages in the development and operation 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 Development Regulations, a developer who aims to establish a property development enterprise should apply for registration with the Administration for Industry and Commerce. The property development enterprise must also report its establishment to the property development authority in the location of the registration authority, within 30 days upon the receipt of its business license.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on April 26, 2004, the portion of capital funding for property projects (excluding affordable residential housing projects) has been increased from 20% to 35%.

However, on May 25, 2009, the State Council issued the Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) and lowered the minimum capital requirement for projects of affordable residential housing and regular commodity residential houses from 35% to 20% and, for other property projects, to 30%.

### Foreign-Invested Property Enterprises

Under the Foreign Investment Industrial Guidance Catalog (外商投資產業指導目錄) jointly promulgated on November 30, 2004 and amended on October 31, 2007 and on December 24, 2011 by MOFCOM and the National Development and Reform Commission (the "NDRC"), foreign investment in enterprises engaged in the development of a whole land lot, the construction and operation of high end hotels, villas, premium office buildings, international conference centers and large theme parks, transactions in the real estate secondary market and real estate intermediary or broker services falls within the category of industries in which foreign investment is restricted, while foreign investment related to other kinds of real estate development falls within the category of industry in which foreign investment is permitted.

According to the Interim Provisions on Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法) promulgated by the NDRC in October 2004, the NDRC shall examine and approve foreign investment projects with a total investment of US\$100 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of US\$50 million or more that come within the category of industries in which foreign investment is restricted. Foreign investment projects with a total investment of US\$500 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of US\$100 million or more that come within the category of industries in which foreign investment is restricted are subject to further approval of the State Council based on the examination and approval of the NDRC.

Foreign invested property enterprises can be established in the form of a sino-foreign equity joint venture, a sino foreign cooperative joint venture or a wholly foreign-owned enterprise. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which a certificate of approval for a foreign-invested enterprise will be issued.

On July 11, 2006, MOHURD, MOFCOM, the NDRC, the PBOC, the State Administration for Industry and Commerce 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, MOHURD and SAFE jointly issued the Opinions on Regulating the Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), providing regulations on real estate development enterprises mainly as follows:

- For real estate development enterprises, the current account for foreign exchange shall not maintain property purchase payments remitted by residents of Hong Kong, Macau and Taiwan and overseas Chinese expatriates;
- Where the registered capital relating to a Real Estate FIE remains unpaid in its entirety, or the state-owned land use rights certificate is yet to be obtained, or the capital fund of development project has not reached 35% of the total amount of the project investment, such Real Estate FIE is not permitted to borrow foreign loans from overseas;
- Where foreign entities and individuals purport to merge and acquire domestic real estate enterprises by way of share transfer or any other means, to acquire a Chinese party’s shares within an equity joint venture, such foreign entities and individuals must make a one time payment for the transfer consideration in a lump sum, otherwise SAFE shall not process any foreign exchange registration relating to the foreign exchange transaction.

On May 23, 2007, MOFCOM and SAFE promulgated the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Property Sector (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 or 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 Regarding the Publication of the List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce, (1) local branches of SAFE shall not process any foreign debt registration application or conversion of foreign debt for any Real Estate FIE (including in respect of both newly incorporated Real Estate FIEs and Real Estate FIEs that have registered increased capital contributions) that obtained a certificate of approval for a foreign-invested enterprise from local commerce authorities and completed the registration with a MOFCOM on or after June 1, 2007; (2) SAFE branches shall not process foreign exchange registration (or alterations to registration) or, sale and settlement of foreign exchange for capital account items, for any Real Estate FIEs that has obtained a certificate of approval from local commerce authorities, but that has not registered with MOFCOM on or after June 1, 2007.

On July 1, 2008, MOFCOM implemented the Circular on the Proper Handling of the Record Filing for Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知), 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 promulgated by SAFE in August 2008 with respect to the administration of conversion into Renminbi of foreign exchange capital contributions to foreign invested enterprises (關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知), unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contributions can only be applied to activities that come within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

On April 6, 2010, the State Council issued the Opinions on Further Enhancing the Utilization of Foreign Investment (關於進一步做好利用外資工作的若干意見), which provides that, except for the projects required to be approved by relevant departments of the State Council pursuant to the Catalog of Investment Projects Subject to Government Approvals (政府核准的投資項目目錄), a project within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog may be approved by local government authorities, provided that the total investment (including capital increase) for such project is no more than US\$300 million.

On May 4, 2010, the NDRC issued the Circular on Doing a Good Job in Delegating the Power to Verify Foreign Invested Projects (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog shall be verified by the NDRC at the provincial level, provided that such projects have a total investment (including capital increase) of no more than US\$300 million. The circular further specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Interim Provisions on Approving Foreign Investment Projects. According to the circular, the power to verify the projects within the restricted category under the Foreign Investment Industrial Guidance Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment (商務部關於下放外商投資審批權限有關問題的通知). Under the circular, the relevant local branches of the MOFCOM are granted the power to examine, approve and administrate the establishment and alterations of 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.

In November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment on the 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 provides, among other things, that real estate enterprises established in China with overseas capital are prohibited from purchasing or selling completed real estate properties or real properties under construction for arbitrage purposes. The local MOFCOM authorities are not allowed to approve engagement of investment companies in real estate development and management business.

On February 5, 2011, the MLR promulgated the Circular on Key Issues of the Management and Micro-control Over Urban Land Use for House Construction in 2011 (關於切實做好2011年城市住房用地管理和調控重點工作的通知). This circular seeks to strengthen supervision over the housing construction process and the investigation into and elimination of non-compliance with real estate development laws and regulations. The circular restricts land supply for the construction of large houses and prohibits the construction of villas. Under this circular, the relevant authority will implement a reporting regime with respect to the commencement and completion of construction projects and will investigate and deal with the activities of land reserving or land idling.

Under the Catalog of Guidance on Industries for Foreign Investment (《外商投資產業指導目錄》) promulgated by MOFCOM and NDRC, which became effective on January 30, 2012, the development of a whole land lot solely by foreign investors, the construction and operation of villas and golf courses fall within the category of industries in which foreign investment is prohibited. The development of a whole land lot jointly with PRC partners, as well as the construction and operation of high-end hotels, premium office buildings and international conference centers, fall within the category of industries in which foreign investment is subject to restrictions, and other real estate developments fall within the category of industries in which foreign investment is permitted.

On March 26, 2011, the Beijing tax authority implemented a new policy on LAT prepayments, which provides that the maximum LAT prepayment rate is 5% (and the minimum rate is 2%) for properties, excluding certain affordable housing for which property developers obtain pre-sale permits or sale confirmations after March 25, 2011. Subject to increases of the applicable prepayment rates by local tax authorities pursuant to such notice, we may have to prepay LAT at higher rates.

## **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 (《房地產開發企業資質管理規定》) promulgated by 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.

#### ***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 sq.m. 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.

#### ***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權規定》) 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 on Relevant Issues Concerning the Strengthening of the Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知) promulgated by the MLR on September 4, 2003, from the day of issuance of the Notice, the assignment of land use rights for luxurious commodity houses shall be stringently controlled, and applications for land use rights for villas are to be stopped. On May 30, 2006, the MLR issued the Urgent Notice on Rigorously Strengthening the Administration of Land (關於當前進一步從嚴土地管理的緊急通知) which provides that land for property development must be granted by competitive bidding, public auction or listing-for-sale; the rules prohibiting development projects for villas should be strictly enforced; and land supply and relevant procedures of land use for villas ceased to have effect from the date of the notice.

Under the Urgent Notice of Rigorously Strengthening the Administration of the Land, the land authority should strictly follow the Model Form of the State-owned Land-Use Rights Grant Contract and Model Form of the State-owned Land Use Rights Grant Supplementary Contract (for Trial Implementation), which were jointly promulgated by the MLR and the State Administration for Industry and Commerce. 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 Ministry of Finance, PBOC and MLR on November 19, 2007, define "reserved land" and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. Moreover, the measures make it clear that land must be reserved in accordance with corresponding land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under utilized.

In November 2009, the MLR issued a Circular on the Distribution of the Catalog for Restricted Land Use Projects (Supplement to the 2006 Version) and the Catalog for Prohibited Land Use Projects (Supplement to the 2006 Version) (關於印發<限制用地項目目錄(2006年本增補本)>和<禁止用地項目目錄(2006年本增補本)>的通知) as a supplement to its 2006 version. In this circular, the MLR has restricted the area of land that may be granted by local governments for development of commodity housing to seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

In November 2009, the Ministry of Finance, 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.

On September 21, 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of one parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the floor area ratio for residential land is required to be more than 1. In addition, to participate in land bidding procedures, a land developer shall provide a written certificate that its land bidding deposit does not come from bank loans, shareholder loans, or re-financing and fund raising activities, as well as a certificate letter issued by a financial institution supporting such information.

In December 2010, the MLR promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land to Promote Healthy Development of the 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 having less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small or mid-size residential units shall not provide land for large-size, high-end housing till the end of 2010; (ii) local land and resource authorities at city and county levels shall report to the Ministry of Land and Resources and provincial land and resource authorities, respectively, with regard to land with a premium rate exceeding 50%; and (iii) land designated for affordable housing but used for property development purposes against relevant policies or involving illegal income will be confiscated and the relevant land use rights withdrawn, and changing the plot ratio without approval is also strictly prohibited.

On January 26, 2011, the State Council promulgated the Notice on Further Implementing Real Estate Market Control Measures (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, among other things, that: (i) the nationwide supply of land for commodity properties in 2011 shall, in principle, be no less than the average actual supply amount of the previous two years; and (ii) to participate in land bidding procedures, companies and individuals shall provide their sources of funding and relevant proofs.

### ***Resettlement***

Pursuant to the Regulation on the Expropriation of and Compensation for Housing on State-owned Land (國有土地上房屋徵收與補償條例), which was promulgated by the State Council on January 21, 2011 and became effective on the same day, governments at the municipal or county level are responsible for, and have the right to set up housing expropriation departments to organize and carry out, the expropriation of and compensation for housing in their administrative regions. The amount of compensation for the housing being expropriated shall not be less than the market price of housing similar to the housing being expropriated on the announcement date of the housing expropriation decision. The housing being expropriated shall be appraised by a real estate appraisal institution with relevant qualification according to applicable housing expropriation appraisal measures. In addition, a party that objects to the appraisal value of the housing being expropriated may request the real estate appraisal institution to review the appraisal result. A party that objects to the review result, may apply to the real estate appraisal expert committee for authentication of the appraisal value. The party with housing being expropriated may choose monetary compensation, or may choose to exchange the property right of the housing. If the party with housing being expropriated choose to exchange the property right of the housing, governments at the municipal or county level shall provide housing to be used for the exchange of property right, and calculate and settle the difference between the value of the housing being expropriated and the value of the housing used for the exchange of the property right.

### ***Termination of the land use rights***

In accordance with the Land Administrative Law of the People's Republic of China (中華人民共和國土地管理法) promulgated by the Standing Committee of the NPC on June 25, 1986 and amended on August 28, 2004, under any of the following cases, the land administrative authorities may recover the state-owned land use rights with the approval of the people's governments that originally gives the approvals or the relevant competent people's governments:

- use land for the sake of public interests (subject to proper compensation);
- use land for adjustment in re-building old city districts in order to implement urban construction plans (subject to proper compensation);
- when the term for the land use rights expires, the land user has failed to apply for extension or failed to get approval for extension;

- the use of land originally allocated has been stopped due to cancellation or removal of units;
- roads, railways, airports and mining sites that have been approved to be abandoned.

Under the Provisional Regulations on Grant and Transfer, the maximum term of the land use rights shall be determined, respectively, in the light of the purposes listed below: (i) 70 years for residential purposes; (ii) 40 years for commercial, tourism and entertainment purposes; (iii) 50 years for education, science, culture, public health, physical education, industrial, comprehensive utilization or other purposes.

***Commencement of development with respect to a property project and idle land***

Under the Urban Property Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the assignment of land. According to the Measures on Disposing Idle Land (閒置土地處置辦法) promulgated by the MLR on April 28, 1999, as revised on 1 June 2012 and effective 1 July 2012, “idle land” shall mean any State-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use. Any State-owned land for construction use of which the construction and development has 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 of which the invested amount is less than 25% of the total investment, or of which the construction and development has been suspended for more than one year, may also be regarded as idle land.

Competent departments of land and resources at the municipal or county level shall be responsible for the organization and implementation of the investigation, identification and disposal of idle land within their respective jurisdictions. Except for the circumstances that the delay in the commencement of the construction and development of a plot of State-owned land for construction use is caused by any of the acts of any government or government departments, a plot of idle land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the government at the same level, issue the Decision on Collecting Charges for Idle Land to the holder of the land use right and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee, which charges for idle land shall not be included in the production cost by the holder of the land use right;
- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the government having the jurisdiction to approve thereof, issue a Decision on Taking Back the Right to Use the State-owned Land for Construction Use to the holder of the land use right to take back the right to use the land without compensation; if any mortgage is created on the idle land, a copy thereof shall be sent to each mortgagee thereof.



On September 21, 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 land developers shall commence construction of a housing project within one year from the date of delivery of the land set forth in the land grant contract and shall complete construction within three years from the commencement date. If a developer is unable to commence construction timely as a result of its application for adjusting the land planning or construction conditions, the relevant land use right shall be revoked from such land developer and be re-granted through a new bidding, auction or listing procedure. If a land parcel is left idle for more than a year for reasons solely attributable to the developer, such developer will be banned from participating in land-granting activities for other land parcels for a certain period of time.

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.

On January 26, 2011, the State Council promulgated the Notice on Further Implementing Real Estate Market Control Measures (關於進一步做好房地產市場調控工作有關問題的通知), pursuant to which relevant authorities shall withdraw land use rights from land developers who do not obtain construction permits within a two-year period after the land grant date and shall impose certain monetary penalties on developers that leave a land parcel idle for more than a year.

On May 23, 2012, the MLR issued the Circular on the Issuance and Implementation of the Catalog for Restricted Land Use Projects (2012 Version) and the Catalog for Prohibited Land Use Projects (2012 Version) (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), updating the Supplement to the 2006 Version. In this circular, the MLR also restricted the area of land that may be granted by local governments for development of commodity housing to seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

### *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 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 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, 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 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 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 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 (工程竣工驗收備案表) 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 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 MOHURD on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring the title to a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the contract for the assignment of the land and a land use rights certificate has been obtained; (b) development has been carried out according to the contract for the assignment of the land and, in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the contract for the assignment of the land after deducting the time that has been used by the former land user(s). In the event the transferee intends to change the use of the land provided in the original contract for the assignment of the land, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the assignment contract or a new contract for the assignment of the land shall be signed in order to, amongst other matters, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

On January 26, 2011, the State Council promulgated the Notice on Further Implementing Real Estate Market Control Measures (關於進一步做好房地產市場調控工作有關問題的通知), pursuant to which land developers whose actual investment do not exceed 25% of the planned amount shall, under no circumstances, transfer such land development project as well as the land use rights.

#### ***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 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.

On March 16, 2011, NDRC promulgated the Regulation on Price of Commodity Property (《商品房銷售明碼標價規定》), which took effect on May 1, 2011. According to the regulation, property developers are required to make public the sale price of each of 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 state factors that would affect housing prices and relative charges before the property transaction, such as commission fee and property management fee. No additional charge beyond what is stated in the price tag or made public by the property developers is permitted.

Commodity buildings may be put to post-completion sale after they have passed the clearance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

#### ***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 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.

### ***Supervision of pre-sale income of commodity buildings***

According to the Pre-sale Measures, the income of a property development enterprise from the pre-sale of commodity buildings must be used for the construction of the relevant project. The specific measures for the supervision of the income from the pre-sale of commodity buildings shall be formulated by the relevant property administration authorities.

### ***Conditions of the sale of post-completion commodity buildings***

Under the regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (a) the property development enterprise shall have a business license and a qualification certificate of a property development enterprise; (b) the enterprise shall obtain a land use rights certificate or other approval documents for land use; (c) the enterprise shall have the construction works planning permit and construction works commencement permit; (d) the building shall have been completed, inspected and accepted as qualified; (e) the relocation of the original residents shall have been completed; (f) the provision of essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; (g) the property management plan shall have been completed.

Before the post-completion sale of a commodity building, a property development enterprise shall submit the property development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

### ***Regulations on transactions of commodity buildings***

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building with the relevant property administration authorities.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) issued on May 9, 2005:

- a buyer of a pre-sold commodity building is prohibited from conducting any further transfer of the commodity building before construction has been completed and a property ownership certificate obtained. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the property administration authorities shall not register the application for property ownership; and
- a real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, MOHURD, the NDRC and the State Administration for Industry and Commerce jointly promulgated the Notice on Reorganizing and Regulating Real Estate Transaction Procedures (關於進一步整頓規範房地產交易秩序的通知), the details of which are as follows:

- a property development enterprise may start to sell the commodity buildings within 10 days after receiving a pre-sale permit, and without this permit, the pre-sale of commodity buildings is prohibited, as is the subscription to (including reservation, registration and number selecting) or acceptance of any kind of pre-sale payments;

- the property administration authority should establish a network system for pre-sale contracts of commodity buildings, which should include the location and basic information of the commodity building and the schedule for the sale, and the buyer of a pre-sale commodity building is prohibited from conducting any further transfer of the commodity building while it is still under construction;
- the pre-sale of commodity buildings must not be advertised without a pre-sale permit;
- property development enterprises with a record of serious irregularity or developers who do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in pre-sale activities;
- property administration authorities should strictly carry out the regulations of the pre-sale registration and apply the real name system for house purchases; and
- on April 13, 2010, 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. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

### *Mortgages of property*

Under the Urban Property Law, the Guarantee Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995 and implemented on October 1, 1995, and the Measures on the Administration of Mortgages of Property in Urban Areas China (城市房地產抵押管理辦法) promulgated by 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.

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (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 local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Haikou and Fuzhou, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

### ***Leases of buildings***

Under the Urban Property Law and the Measures for Administration of Leases of Property in Urban Areas, the parties to a lease of a building shall enter into a written lease contract. A system has been adopted to register the leases of buildings. When a lease contract is signed, amended or terminated, the parties shall register the details with the property administration authority under the local government of the city or county in which the building is situated.

### ***Financing property development and acquisition***

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 August 30, 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超額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 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), foreign-invested property enterprises which have not paid up their registered capital, failed to obtain a land use rights certificate, or which have less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE shall not approve the registration of foreign loans from such enterprises.

On September 27, 2007, the PBOC and the CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知) (the “2007 Notice”). The 2007 Notice puts forward requirements for the purpose of strengthening processes for loan management, including by means of credit checks, monitoring of real estate loans and risk management, in respect of (a) real estate development, (b) land reserves, (c) housing consumption and (d) the purchase of commercial buildings.

Pursuant to the 2007 Notice, commercial banks shall not grant loans in any form, to (a) projects where the capital funds (owner’s equity) constitutes less than 35%, or, projects without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit; and (b) property development enterprises that have been hoarding land and housing resources, as detected and verified by land resources departments and construction authorities. Furthermore, commercial banks are not permitted to accept commodity buildings with a vacancy exceeding three years as collateral for a loan, and may not grant property development enterprises any loans for the payment of relevant land assignment premiums.

In respect of loans for individual housing consumption, commercial banks are only permitted to grant housing loans to individuals who purchase commodity buildings the construction of which have reached the “topping out of the main structure” stage. Where an individual purchases his or her first commodity apartment for self residence purpose, (a) of a construction area is below 90 sq.m., the minimum down payment shall be fixed at no less than 20%; and (b) if the construction area is above 90 sq.m., 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 Price from Increasing Too Rapidly in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), 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 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, 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 describes a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond.

In November 2010, MOHURD, Ministry of Finance 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, among other things, that: (i) where a first-time house purchaser (including the borrower, 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 sq.m., the minimum down payment shall be at least 20%, (b) more than 90 sq.m., the minimum down payment shall be at least 30%; (ii) for a second-time house purchaser that use 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 capita 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 residential property and beyond will be suspended.

In November 2010, MOHURD and SAFE jointly promulgated the Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals (關於進一步規範境外機構和個人購房管理的通知), pursuant to which an overseas individual can only purchase one residential property for self-occupation within the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential properties for business use in the city where it is registered within the PRC.

On January 26, 2011, the State Council promulgated the Notice on Further Implementing Real Estate Market Control Measures (關於進一步做好房地產市場調控工作有關問題的通知), which stipulates, among other things, that: (i) the minimum down payment for purchases of a second residential property is raised to 60%; (ii) interest rates for mortgage loans for a second residential property shall not be lower than 110% of the PBOC benchmark lending rate; and (iii) in certain geographical areas, local families who own one residential property may, in principle, purchase a second residential property; non-local families who can provide

local tax or social insurance records for a certain number of years may, in principle, purchase one residential property; local families who own two residential properties or more, non-local families who own one residential property or more, and non-local families who are unable to provide local tax or social insurance records for a certain number of years shall be temporarily prohibited from purchasing any residential property in the local area.

On February 26, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

On March 1, 2013, the State Council issued the Notice on Continuing Adjustment and Control of Property Markets (《關於繼續做好房地產市場調控工作的通知》) which requires, among other restrictive measures:

- (i) *Improving the responsibility system for stabilizing housing prices.* Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa), must set an annual objective for controlling housing prices and publish annual new commodity housing price control target in the first quarter of the year;
- (ii) *Firmly restraining purchases of residential housing for investment and speculation purposes.* Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa) which have implemented restrictions on the real estate market are required to cover all administrative areas of the cities as restricted areas, and restricted housing shall include new commodity housing and second-hand housing. Non-local residents who possess one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates are to be barred from purchasing any residential properties located in the administrative area. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the state will strictly enforce a 20% tax on home sale profits.
- (iii) *Expanding ordinary commodity housing units and increasing the supply of land.* The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years. Financial institutions, subject to credit requirements, are to prioritize requests for loans for ordinary commodity housing construction projects in which medium and small housing units constitute 70% or more of the total units in such construction project.

#### ***Insurance of a property project***

There are no mandatory provisions in PRC laws, regulations and government rules which require a property development enterprise to take out insurance policies for its property projects. However, PRC commercial banks may require the property development enterprise to purchase insurance if the commercial bank intends to grant a development loan to the property development enterprise.

### ***Environmental protection***

Pursuant to the requirements of relevant laws and regulations such as the Appraisal Measures for the Impact on the Environment of the PRC (中華人民共和國環境影響評價法) implemented by the Standing Committee of the National People's Congress in September 2003, and the Regulations Governing Environmental Protection of Construction Projects (建設項目環境保護管理條例) implemented by the State Council in November 1998, property development enterprises and construction enterprises must carry out an appraisal of the impact the construction project will have on the environment. The relevant project shall not commence until approval is obtained from the supervisory body for environmental protection. While the project is in progress, the developer should also comply with the appraisal documents relating to the impact on the environment and implement the environmental protection measures set out in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted may go into operation or be available for use.

### ***Construction safety***

Under relevant laws and regulations such as the Laws for Safe Production in the PRC (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress in November 2002, the property development enterprise should apply to the supervisory department on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction works commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State.

Under the Construction Law of the People's Republic of China (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor.

## **Major Taxes Applicable to Property Developers**

### ***Corporate income tax***

In 2007, the PRC government adopted the PRC Corporate Income Tax Law (中華人民共和國企業所得稅法) and the related implementation rules, which became effective on January 1, 2008. Under the PRC Corporate Income Tax Law, a unified income tax rate of 25% is applied to all PRC enterprises, including foreign-invested enterprises. Under the PRC Corporate Income Tax Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the unified 25% corporate income tax rate on their global income.

### ***Business tax***

Pursuant to the Interim Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例) promulgated by the State Council on December 13, 1993, amended on November 10, 2008, and implemented on January 1, 2009, and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on

Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the Ministry of Finance on December 25, 1993 and amended on December 15, 2008 and implemented on January 1, 2009, the tax rate applicable to the transfer of real properties, their superstructures and attachments is 5%.

In accordance with the Notice on the Adjustment of Business Tax for the Transfer of Individual Homes (關於調整個人住房轉讓營業稅政策的通知) promulgated by the Ministry of Finance and the State Administration of Taxation on December 22, 2009 and amended on January 27, 2011, (i) where an individual sells a house that he or she purchased less than five years ago, business tax shall be levied on the full amount of the sales proceeds, (ii) where an individual sells a non-ordinary house that he or she purchased more than five years (inclusive) ago, business tax shall be levied on the difference between the sales proceeds and the original purchase price of the house, and (iii) where an individual sells an ordinary house that he or she purchased more than five years (inclusive) ago, business tax shall be exempted.

On January 26, 2011, the State Council promulgated the Notice on Further Implementing Real Estate Market Control Measures (關於進一步做好房地產市場調控工作有關問題的通知), pursuant to which individuals who resell houses that they have owned for less than five years shall pay business tax on the full sale price, whether or not the houses were initially bought for self-occupied residential purposes.

#### *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 came into effect on January 1, 1994 and amended on January 8, 2011, 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 Ministry of Finance.

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 Ministry of Finance and the State Administration of Taxation on January 27, 1995, land appreciation tax shall be exempted under any of the following circumstances:

- transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred;

- 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 Ministry of Finance and the State Administration of Taxation 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; and
- if the transferred real property is beyond the scope of the contract or if the contract has been amended, the land appreciation tax shall be imposed on the re-transfer of a real property within the tax-free period and on any transfer incompliant with the terms provided above.

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 Ministry of Finance, the State Administration of Taxation, 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 State Administration of Taxation 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 the State Administration of Taxation. 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 Ministry of Finance and the State Administration of Taxation 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 State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) (the “2007 LAT Notice”) which came into effect on February 1, 2007.

Pursuant to the 2007 LAT Notice, a property development enterprise shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (a) the property development project has been completed and fully sold; (b) the property development enterprise transfers the whole uncompleted development project; or (c) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the property development enterprise to settle the LAT if any of the following criteria is met: (a) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the property development enterprise; (b) the project has not been completed sold more than three years after obtaining the sale permit or pre-sale permit; (c) the property development enterprise applies for cancellation of the tax registration without having settled the relevant LAT; or (d) other conditions stipulated by the tax authorities.

The Notice also indicated that if any of the following circumstances applies to a property development enterprise, the tax authorities shall levy and collect LAT as per a levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (a) failure to maintain account books required by law or administrative regulation; (b) destroying account books without authorization or refusing to provide taxation information; (c) the accounts have not been properly maintained or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or the amount of deductible items; (d) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (e) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and the local situation.



On May 12, 2009, the State Administration of Taxation 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 Ministry of Finance and the State Administration of Taxation 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 State Administration of Taxation 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 State Administration of Taxation issued the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), 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.

#### ***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, amended on December 31, 2006 and January 8, 2011, land use tax in respect of urban land is levied according to the area of relevant land. As of January 1, 2007, the annual tax on every square meter of urban land collected from foreign-invested enterprises shall be between RMB0.6 and RMB30.0.

#### ***Buildings tax***

According to the Circular Concerning the Levy of Building Tax on Foreign Enterprises and Foreigners (關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the Ministry of Finance on January 12, 2009, and the Circular Concerning the Implementation of the Levy of Building Tax on Foreign-Invested Enterprise and Foreign Individuals (關於做好外資企業及外籍個人房產稅徵管工作的通知) issued by the State Administration of Taxation on January 6, 2009, from January 1, 2009, domestic and foreign-invested enterprises and foreign individuals will all be subject to the Interim Regulations of the People’s Republic of China on Building Tax.

#### ***Stamp duty***

Under the Interim Regulations of the People’s Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation 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 State Administration of Taxation 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.

However, according to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested 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) as issued by the State Council on October 18, 2010, the municipal maintenance tax will become applicable to foreign-invested enterprises as of 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稅和教育費附加的通知) issued by the State Administration of Taxation 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.

However, according to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested 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) as issued by the State Council on October 18, 2010, the municipal maintenance tax will become applicable to foreign-invested enterprises as of December 1, 2010.

## **Major Taxes Applicable to Property Buyers and Owners**

### ***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.

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation 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 sq.m. would be temporarily reduced to a unified rate of 1% starting from November 1, 2008.

On September 29, 2010, the Ministry of Finance, the State Administration of Taxation, and the Ministry of Housing and Urban-rural Development promulgated the Notice on Adjusting Preferential Policies for Deed Tax and Individual Income Tax for the Real Estate Transaction Process (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 provides that for any family residential property purchased as the sole residence for the purchaser and his or her family members (including his or her spouse and minor dependents), the rate of deed tax is reduced to 50% of the statutory rate if the GFA of the residential property is at or above 90 sq.m. and to 1% if the GFA of the residential property is below 90 sq.m..

### ***Property tax***

In May 2010, the State Council issued the Notice on Endorsing and Forwarding the National Development and Reform Commission's Opinions on Further Developing the Key Reforms of the Economic System in 2010 (國務院批轉發展改革委員會關於2010年深化經濟體制改革重點工作意見的通知), which calls for the gradual implementation of property tax reform in the PRC. On January 28, 2011, the Chongqing Municipal government issued the Provisional Measures on Trial Reform of Imposing Property Tax on Certain Residential Properties (重慶市關於開展對部分個人住房徵收房產稅改革試點的暫行辦法) and the Measures on the Collection and Management of Property Tax on Residential Properties in the Municipality of Chongqing (重慶市個人住房房產稅徵收管理實施細則), which, among other things, impose an annual property tax, subject to certain exemptions, on (i) detached commodity residential properties, (ii) recently purchased high-end residential properties, and (iii) second or more residential properties purchased by certain individuals, at applicable rates ranging from 0.5% to 1.2% in certain areas of Chongqing.

### **Measures on Stabilizing Housing Price**

The General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Stabilizing the Prices of Residential Properties (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), which provides that:

- *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.

- *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:

- *Adjustment to the housing supply structure.* (i) 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. (ii) 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 sq.m. 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 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.
- *Adjustment to tax, credit and land policies.* (i) 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. (ii) 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. (iii) 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 sq.m., the first installment remains at 20%. (iv) 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. (v) 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.

- *Further rectifying and regulating the property market.* (i) 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. (ii) 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, 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 sq.m. 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 Price from Increasing Too Rapidly in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), 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, State Administration of Taxation 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 State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation 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.

On February 16, 2011, the Beijing Municipal Government promulgated the Notice on Further Strengthening Control over Beijing Property Market (《北京市人民政府辦公廳關於貫徹落實國務院辦公廳文件精神進一步加強本市房地產市場調控工作的通知》), which among other things, provides that (i) a local family that owns one house in Beijing (including a family that holds an effective Beijing Certificate for Work and Residence) and (ii) a non-local family with an effective Certificate for Temporary Residence that does not own a house in Beijing and has paid social insurance or individual income tax for five consecutive years, are permitted to purchase one additional house in Beijing (including newly-built and second-hand houses).

Furthermore, (i) a local family that owns two or more houses in Beijing, and (ii) a non-local family that owns one house or more in Beijing, or fails to provide both an effective Certificate for Temporary Residence and evidence of payment of social insurance or individual income tax for consecutive five years, is suspended from purchasing a new house in Beijing. In addition to Beijing, other cities, including Tianjin, Shanghai, Suzhou, Nanjing, Qingdao, Chengdu, Foshan and Harbin, have also announced their new purchase limit policies which are almost the same as the requirements in the Notice Concerning Further Strengthening the Macroeconomic Control of Real Property Market.

## MANAGEMENT

### Directors and Senior Management

The table below sets forth information regarding our directors and senior management as of the date of this offering memorandum. Unless otherwise indicated, the positions or titles indicated in the table below refer to our Company.

Name	Age	Position/Title
SUN Hongbin .....	49	Chairman, Executive Director and Chief Executive Officer
WANG Mengde .....	41	Executive Director and Executive President
LI Shaozhong .....	49	Executive Director and Vice President
CHI Xun .....	39	Executive Director, General Manager of Sunac Zhidi
SHANG Yu.....	33	Executive Director, General Manager of Chongqing Jiye
JING Hong .....	51	Executive Director, General Manager of Sunac Hengji
HU Xiaoling.....	42	Non-executive Director
ZHU Jia .....	50	Non-executive Director
POON Chiu Kwok .....	50	Independent Non-executive Director
LI Qin.....	72	Independent Non-executive Director
MA Lishan .....	61	Independent Non-executive Director
TSE Chi Wai .....	45	Independent Non-executive Director
HUANG Shuping .....	32	Vice President, Chief Financial Officer and Joint Company Secretary
TIAN Qiang .....	35	General Manager of Shanghai Sunac Greentown
MA Zhixia.....	40	Vice President, General Manager of Sales Management Department
CHEN Hengliu .....	58	Vice President, Chairman of Hangzhou Sunac Real Estate Development Co., Ltd.
MIN Feng.....	42	Chairman of Wuxi Sunac Real Estate
MA Sau Kuen Gloria...	54	Joint Company Secretary
ZHANG Qiang.....	38	Vice President and Executive General Manager of Shanghai Sunac Greentown

### *Directors*

Our board of directors currently consists of 12 directors, including six executive directors and six non-executive directors, four of whom are “independent non-executive directors” within the requirements of the Hong Kong Listing Rules. Each of our executive directors has been appointed for an initial term of three years. Each of our non-executive directors, including our independent non-executive directors, has been appointed for an initial term of two years. Each of our directors is subject to retirement at least once every three years at our annual general meeting.

**Sun Hongbin** is our founder, Chairman, Executive Director and Chief Executive Officer. Mr. Sun has more than 17 years of experience in real estate development in China. Mr. Sun is primarily responsible for leading our strategic planning and business development. Together with other members of the senior management, Mr. Sun also oversees all key aspects of our operations, including financial management, land acquisitions as well as project development. Mr. Sun obtained a master’s degree in engineering from Tsinghua University in 1985. He also completed an advanced management program at Harvard Business School in 2000.

Prior to founding our Company, Mr. Sun established Sunco (China) Real Estate Network Group in 1995 (順馳(中國)不動產網絡集團有限公司), which is a large chain property agency company in China, and is its chief executive officer. From 1995 to 2004, Mr. Sun established and was a non-executive director of another group of property development business



in China operated under Sunco China. Sunco China was restructured in 2006 in view of the capital needs of its business and disposed of a substantial part of its assets between 2006 and 2007. Mr. Sun currently retains only a 5.26% indirect interest in a company that holds certain assets previously controlled by Sunco China. In connection with the disposal of a company by Sunco China and another company controlled by Mr. Sun, between 2007 and 2010, Mr. Sun was involved in certain legal proceedings in Hong Kong and has finally resolved the disputes through mediation. In addition, in connection with Mr. Sun's employment as a manager at the corporate department of Beijing Legend Computer Group Co., currently known as Legend Holdings Limited, from 1987 to 1990, Mr. Sun was convicted in the PRC court in 1992 of misappropriation of funds in the amount of RMB130,000 but such conviction was subsequently held by the retrial court to be erroneous and was overturned in 2003. For more information on Mr. Sun's experience with Sunco China and his previous proceedings and current disputes, see "Risk Factors – Risks Relating to Our Business – Sun Hongbin, our controlling shareholder, is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions; we may be adversely affected by legal proceedings involving Mr. Sun."

**Wang Mengde** is an executive director of our Company and our Executive President. Mr. Wang has 14 years of experience in the property sector in China. He has served as our Executive President since 2011 and served as our Vice President, Chief Financial Officer and general manager of the finance department from 2006 to 2012. Prior to joining us, Mr. Wang was the chief operating officer and chief financial officer of Sunco China from 2005 to 2006 and the general manager of a subsidiary of Sunco China in the East China region from 2003 to 2005. From 1997 to 1999, Mr. Wang worked at Tianjin Samsung Wool Textile Co., Ltd., where he was in charge of corporate finance and accounting management. Mr. Wang graduated from Nankai University with a bachelor's degree in auditing in 1997.

**Li Shaozhong** is an executive director of our Company and our Vice President. Mr. Li has over 20 years of experience working at property development and construction companies in major cities in China, such as Shanghai and Tianjin, and has been with us since 2003. Mr. Li served as our Executive President from 2009 to 2011. He served as our Vice President from 2007 to 2009 and as the general manager of Sunac Ao Cheng from 2003 to 2007. Mr. Li is a senior engineer. He graduated from the Graduate School of Tianjin University with a master's degree in engineering in 1987 and obtained his doctorate degree in management in 2007.

**Chi Xun** is an executive director of our Company in charge of our operations in the Tianjin region. Mr. Chi has 14 years of experience in real estate development and sales management. Mr. Chi has been serving as the general manager of Sunac Zhidi since 2005 and was the deputy general manager of Sunac Zhidi from 2004 to 2005. Prior to joining us, Mr. Chi worked at various property development companies where he was responsible for project development, design and sales. Mr. Chi graduated from Harbin Institute of Technology in 1997 with a bachelor's degree in architecture.

**Shang Yu** is an executive director of our Company in charge of our operations in the Chongqing region. Mr. Shang has 13 years of experience in the property sector in China. Mr. Shang has been serving as the general manager of Chongqing Jiye since 2006 and was the deputy general manager of Sunac Ao Cheng and Chongqing Jiye from 2003 to 2004. Mr. Shang received a master's degree in business administration from the China Europe International Business School in 2008 and a bachelor's degree in property development and management from Tianjin Institute of Urban Construction in 2001.

**Jing Hong** is an executive director of our Company and the general manager of Sunac Hengji in charge of our operations in the Beijing region. Mr. Jing has extensive experience in real estate development. Prior to joining us in 2007, Mr. Jing served as a vice president of Sunco China from 2002 to 2006. From 1991 to 2002, Mr. Jing served as an assistant president of Lenovo Group Limited, whose shares are listed on the Hong Kong Stock Exchange and a deputy director of the president's office of Legend Holdings Limited. Mr. Jing graduated from the Beijing Jiaotong University (previously known as Northern Jiaotong University) in 1984 with a bachelor's degree in engineering.

**Hu Xiaoling** is a non-executive director of our Company and various subsidiaries of our Company. She is also currently a managing director of CDH Investments Management (Hong Kong) Limited, a non-executive director of SYSWIN Inc., whose shares are listed on the New York Stock Exchange, and a non-executive director of Belle International Holdings Limited, whose shares are listed on the Hong Kong Stock Exchange. Ms. Hu is also a director of Midea Group Co., Ltd., Yingliu International Holdings Limited and Beijing Motie Book Co., Ltd. Ms. Hu has previously worked in the direct investment division of the China International Capital Corporation Limited and Arthur Andersen Certified Public Accountants. She is a Fellow of the Association of Chartered Certified Accountants. Ms. Hu graduated from Beijing Jiaotong University (previously known as Northern Jiaotong University) with a bachelor's degree in economics and a master's degree in economics and accounting. Ms. Hu joined our Group in November 2007.

**Zhu Jia** is a non-executive director of our Company. Mr. Zhu is a Juris Doctorate degree holder from Cornell Law School and currently a managing director of Bain Capital Asia, LLC. Mr. Zhu has solid and extensive experience in a broad range of cross border mergers and acquisitions as well as international financing transactions involving Chinese companies. Before joining Bain Capital Asia, LLC in 2006, he was the chief executive officer of the China business of Morgan Stanley Asia Limited. Mr. Zhu is currently chairman of the board of directors of Clear Media Limited. He is also an independent director of Youku Tudou Inc., a company listed on the New York Stock Exchange, a non-executive director of each of Sinomedia Holding Limited and GOME Electrical Appliances Holding Limited, the shares of which are listed on the Hong Kong Stock Exchange.

**Poon Chiu Kwok** is an independent non-executive director of our Company. Mr. Poon possesses appropriate accounting and related financial management expertise. He is currently an executive director and company secretary of Huabao International Holdings Limited, whose shares are listed on the Hong Kong Stock Exchange, an independent non-executive director and a member of the audit committee of Guangzhou Shipyard International Company Limited, whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, Ningbo Port Company Limited, whose shares are listed on the Shanghai Stock Exchange, Yuanda China Holdings Limited, whose shares are listed on the Hong Kong Stock Exchange, Changan Minsheng APLL Logistics Co., Ltd., whose shares are listed on the Hong Kong Stock Exchange, and China Tianrui Group Cement Company Limited, whose shares are listed on the Hong Kong Stock Exchange. Mr. Poon is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. He is a member and Associate Instructor of the Hong Kong Securities and Investment Institute and is also a long-serving member of Professional Education Commission of the Hong Kong Securities and Investment Institute. He obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. Mr. Poon joined our Company in June 2011.

**Li Qin** is an independent non-executive director of our Company. He is also the chairman of the supervisors committee of Legend Holdings Limited, the controlling shareholder of Lenovo Group Limited (a listed company on the Main Board of the Hong Kong Stock Exchange). Mr. Li has extensive experience in business management, formulation of comprehensive business plans and strategies and their implementation. Mr. Li graduated from Beijing Institute of Mechanical Engineering (presently known as the Xi'an University of Technology) with a bachelor's degree in Automatic Control Engineering in 1965. From 1965 to 1984, Mr. Li worked for the Technological Research Institute of Chinese Academy of Sciences. At the end of 1984, he cofounded New Technology Development Company (the predecessor of the Legend Group Limited). From 2001 to December 2007, Mr. Li was also the chairman of Digital China Holdings Limited, a company which was spun-off in 2001 from Lenovo Group Limited (whose shares are listed on the Main Board of the Hong Kong Stock Exchange). In 1992, Mr. Li was awarded "Outstanding Entrepreneur of Private Enterprises" by the Committee of Science and Technology of China and in the same year, he was also named as China's Outstanding Middle-Youth Scientist. In 1994, Mr. Li was awarded "Excellent Entrepreneur in High-Technology Industry" by the Beijing Municipal Science and Technology Commission. In 2000, he was also awarded as the "Municipal Model Worker of Beijing." Mr. Li joined our Company in August 2009.

**Ma Lishan** is an independent non-executive director of our Company. Mr. Ma graduated from Beijing Foreign Studies University with a bachelor's degree in 1975. Mr. Ma served in various managerial positions in the PRC food and edible oils industries and has extensive experience in corporate management. Mr. Ma served as an executive director of China Foods Limited (formerly known as China Foods Holdings Limited and COFCO International Limited), whose shares are listed on the Main Board of the Hong Kong Stock Exchange since January 1996. From May 1997 to June 2003, Mr. Ma served as the managing director of China Foods Limited and was the managing director of COFCO International Limited between April 2002 and June 2003. In 2000, Mr. Ma served as the deputy general manager of China Foods Import and Export (Group) Co., Ltd. From June 2003 to July 2005, Mr. Ma served as the deputy managing director of COFCO (Hong Kong) Limited. Mr. Ma was an executive director of Sino Resources Limited whose shares are listed on the Hong Kong Stock Exchange from June 7, 2008 to January 16, 2009. He also serves as a senior consultant of Hao Tian Resources Group Limited. Mr. Ma joined our Company in August 2009.

**Tse Chi Wai** is an independent non-executive director of our company. Mr. Tse has been the chief financial officer and an executive director of China Information Technology Development Limited, whose shares are listed on the Growth Enterprise Market on the Stock Exchange of Hong Kong Limited, since 2011. He has also been an executive director of Jih Sun Financial Holding Co., Ltd, whose shares are listed on the Taiwan Stock Exchange, since 2010. Mr. Tse previously worked for various international accounting firms and listed companies and has over 20 years of experience in auditing, accounting and finance. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tse graduated from the University of Hong Kong in 1989 with a bachelor degree in social science studies.

### **Senior Management**

**Huang Shuping** is a Vice President, the Chief Financial Officer and a joint company secretary of our Company. Mr. Huang is responsible for our corporate finance, investor relations and compliance management affairs. Mr. Huang previously served in various positions such as director of the capital management department and general manager of the capital operations centre. During his term of service, Mr. Huang has assisted us in completing two rounds of private equity funding and was also one of the key coordinators of our listing on the Hong Kong Stock Exchange. Prior to joining us in 2007, Mr. Huang was an assistant to the president of Sunco China with responsibilities in capital management from 2005 to 2007 and a project manager of the assets management department of the Capital Securities Co., Ltd. from 2004 to 2005. Mr. Huang graduated from Xiamen University with a bachelor's degree in economics in 2003. He received a master's degree from the University of Liverpool in finance in 2004.

**Tian Qiang** is the general manager of Shanghai Sunac Greentown in charge of our operations in the Shanghai region. Mr. Tian previously served as the deputy general manager of Tianjin Xiangchi. Prior to joining us in 2007, Mr. Tian was a sales manager, deputy general sales manager and general manager of Sunco China from 2002 to 2007. Mr. Tian graduated from the Tianjin Institute of Urban Construction in 1999 with a bachelor's degree in engineering.

**Ma Zhixia** is a Vice President of our Company and the general manager of our sales management department. Ms. Ma is in charge of our sales management, market positioning, product design and cost management. In addition, she is responsible for developing and revising our management workflow. Prior to becoming a vice president of our Company in 2005, Ms. Ma was the deputy general manager and general manager of Sunac Zhidi from 2003 to 2005. Since joining us in 2003, Ms. Ma has been responsible for setting up the operation centre, cost management division and the contract approval division and managing our cost control, approval of contracts, procurement and coordinating business process. Ms. Ma graduated from Nankai University with a bachelor's degree in economics in 1995.

**Chen Hengliu** is a Vice President of our Company and the Chairman of Hangzhou Sunac Real Estate Development Co., Ltd.. Mr. Chen is responsible for human resources, legal affairs, property management and administration. Prior to joining us in 2006, Mr. Chen worked at Lenovo Group Limited, China Sciences Group (Holding) Co., Ltd. and Sina.com Technology (China) Co., Ltd. Mr. Chen received a master's degree in science from the Post-graduate School of Chinese Academy of Sciences in 1985 and a bachelor's degree in science from the department of physics of Beijing Normal University in 1982.

**Min Feng** is the chairman of Wuxi Sunac Real Estate. Prior to serving in this position since 2007, Ms. Min was the general manager and chairman of Wuxi Sunac Real Estate from 2006 to 2007. From 2000 to 2006, Ms. Min was a vice president of Sunco China and a general manager and the chairman of a subsidiary of Sunco China. From 1992 to 2000, she served as a reporter and editor of Tianjin Daily News. Ms. Min graduated from the department of Chinese language and literature of Tianjin Normal University with a bachelor's degree.

**Ma Sau Kuen Gloria** is a joint company secretary of our Company. Ms. Ma is a director and Head of Registration and Compliance Services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma has almost 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on the Hong Kong Stock Exchange, setting up companies in different jurisdictions such as Hong Kong, the Cayman Islands and the British Virgin Islands. She also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms. Ma holds a master degree in Business Administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ma was appointed as the joint company secretary of our Company on December 13, 2010.

**Zhang Qiang** is a Vice President of our Company and the Executive General Manager of Shanghai Sunac Greentown since 2012. Mr. Zhang joined our Company in 2003. From 2003 to 2005, He served as deputy general manager of Sunac Zhidi. He was the general manager of Chunshen Lake in 2005. From 2006 to 2011, He served as our strategic development director, marketing director and general manager of the Marketing Center of our Company. Mr. Zhang graduated from the chemistry department of Tianjin University with a bachelor's degree in science in 1997.

## **Board Committees**

### ***Audit Committee***

Our Audit Committee consists of our four independent non-executive directors, namely, Poon Chiu Kwok, Li Qin, Ma Lishan and Tse Chi Wai. It is chaired by Poon Chiu Kwok, who has professional qualifications in accountancy. The primary duties of the Audit Committee are to assist our board of directors to provide an independent view of the effectiveness of our financial reporting, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our board of directors.

### ***Remuneration Committee***

Our Remuneration Committee consists of one executive director, namely, Sun Hongbin and our four independent non-executive directors, namely, Poon Chiu Kwok, Li Qin, Ma Lishan and Tse Chi Wai. It is chaired by Poon Chiu Kwok. The primary duties of the Remuneration Committee include:

- making recommendations to our directors on policies and structure of remuneration of our directors and senior management and on the establishment of a transparent and formal procedure for developing policies on their remuneration;

- determining the terms of our directors' and senior management's specific remuneration packages; and
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our directors from time to time.

#### *Nomination Committee*

Our Nomination Committee consists of one executive director, namely, Sun Hongbin and three independent non-executive directors, namely, Poon Chiu Kwok, Li Qin and Ma Lishan. It is chaired by Sun Hongbin. The primary duties of the Nomination Committee include reviewing the structure, size and composition of our board of directors, assessing the independence of our independent non-executive directors, and making recommendations to our board of directors on matters relating to the appointment of directors.

#### **Directors' Remuneration**

Our executive directors receive compensation, in their capacities as our employees, in the form of salaries, bonuses, other allowances and benefits in kind, including our contribution to the pension scheme for our executive directors in accordance with PRC law.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our directors for the years ended December 31, 2010, 2011 and 2012 was RMB5.1 million, RMB6.3 million and RMB8.2 million, respectively.

In addition, our executive directors are entitled to share options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme. The aggregate amount of share option expenses we incurred in connection with share option granted to our executive directors was RMB3.2 million, RMB13.0 million and RMB10.9 million for the years ended December 31, 2010, 2011 and 2012, respectively.

#### **Share Option Schemes**

To provide an incentive for the employees of our Company and our subsidiaries and associates to work with commitment toward enhancing the value of our Company and our ordinary shares and to retain and attract suitable personnel for the further development of our business, we adopted the Pre-IPO Share Option Scheme on September 9, 2010 (the "Pre-IPO Scheme Adoption Date") and the Post-IPO Share Option Scheme on April 29, 2011 (the "Post-IPO Scheme Adoption Date").

#### *Pre-IPO Share Option Scheme*

Under the Pre-IPO Share Option Scheme, we granted to 121 grantees options to subscribe for up to 51,080,000 ordinary shares. These options will vest in accordance with the following schedule: 30% upon the first anniversary of the Pre-IPO Scheme Adoption Date, an additional 30% upon the second anniversary and an additional 40% upon the third anniversary. Subject to certain terms and conditions, a grantee may exercise any vested portion of his or her options prior to the end of a period of four years from the Pre-IPO Scheme Adoption Date, at a subscription price per share equal to 80% of the offer price of our shares in our initial public offering (i.e., 80% of HK\$3.48).

The following table sets forth the number of ordinary shares issuable under the share options granted to our directors and senior management under the Pre-IPO Share Option Scheme:

Name	Number of ordinary shares to be issued upon exercise of all options
SUN Hongbin .....	3,600,000
WANG Mengde .....	3,300,000
LI Shaozhong .....	3,600,000
CHI Xun .....	3,600,000
SHANG Yu.....	3,300,000
JING Hong .....	3,600,000
MA Zhixia.....	3,000,000
CHEN Hengliu .....	2,700,000
TIAN Qiang .....	3,300,000
LU Peng.....	3,000,000
MIN Feng.....	1,300,000
HUANG Shuping .....	360,000

No share options under the Pre-IPO Share Option Scheme had been exercised prior to December 31, 2011. In 2012, options to subscribe for an aggregate of 4,280,125 shares under the Pre-IPO Share Option Scheme had been exercised at an exercise price of HK\$2.784 per share. The weighted average closing price of the shares immediately before the date of exercise was HK\$2.985 per share.

#### *Post-IPO Share Option Scheme*

Under the Post-IPO Share Option Scheme, we may grant to selected directors and employees options to subscribe for up to 99,900,000 ordinary shares during a period of three years commencing on the Post-IPO Scheme Adoption Date in accordance with the following schedule: up to 39,900,000 ordinary shares from the Post-IPO Scheme Adoption Date, up to 69,900,000 ordinary shares upon the first anniversary of the Post-IPO Scheme Adoption Date, and up to 99,900,000 ordinary shares upon the second anniversary of the Post-IPO Scheme Adoption Date. These options will vest in accordance with the following schedule: 30% upon the date of grant of the options, an additional 30% upon the first anniversary of the Post-IPO Scheme Adoption Date following the date of grant of the options, and an additional 40% upon the second anniversary. Subject to certain terms and conditions, a grantee may exercise any vested portion of his or her options at a subscription price per share determined by our board of directors on a case by case basis. On September 30, 2011, we granted to certain directors and employees options to subscribe for up to 39,900,000 ordinary shares with an exercise price of HK\$1.484 per share. On May 21, 2012, we granted to certain directors and employees options to subscribe for up to 29,100,000 ordinary shares with an exercise price of HK\$2.33 per share.

The following table sets forth the number of ordinary shares issuable under the share options granted to our directors under the Post-IPO Share Option Scheme.

Name	Number of ordinary shares to be issued upon exercise of all options
SUN Hongbin .....	3,000,000
WANG Mengde .....	3,600,000
LI Shaozhong .....	3,500,000
CHI Xun .....	3,800,000
SHANG Yu.....	3,500,000

No share options under the Post-IPO Share Option Scheme had been exercised prior to December 31, 2011. In 2012, options to subscribe for an aggregate of 8,674,150 shares and an aggregate of 2,122,000 shares under the Post-IPO Share Option Scheme had been exercised at an exercise price of HK\$1.484 per share and HK\$2.33 per share, respectively. The weighted average closing price of the shares immediately before the date of exercise was HK\$2.84 per share and HK\$2.88 per share, respectively.

## PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding beneficial ownership of our ordinary shares as of December 31, 2012 by (i) our directors and senior management and (ii) those persons known by us to beneficially own 5% or more of our outstanding shares. The percentage of beneficial ownership of each person listed below is based on 3,015,076,275 ordinary shares outstanding as of December 31, 2012 (without taking in account the issuance of Subscription Shares in January 2013).

Beneficial owner	Number of ordinary shares beneficially owned	Percentage of ordinary shares beneficially owned  (%)
<b>Directors and senior management</b>		
Sun Hongbin <sup>(1)(2)</sup> .....	1,555,578,451	51.6
<b>Principal shareholders</b>		
Sun Hongbin <sup>(1)(2)</sup> .....	1,555,578,451	51.8
Bain Capital Asia Fund, L.P. <sup>(3)</sup> .....	180,336,637	6.0
CDH China Fund III, L.P. <sup>(4)</sup> .....	125,200,737	4.2

*Notes:*

- (1) Represents 1,555,578,451 ordinary shares held by Sunac International, a limited liability company incorporated in the British Virgin Islands and wholly owned by Sun Hongbin.
- (2) Excludes ordinary shares that may be issued under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme. As of December 31, 2012, options to purchase 3,840,000 of our ordinary shares granted to Sun Hongbin under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme were vested and exercisable. As of the same date, none of these options was exercised.
- (3) Represents 180,336,637 ordinary shares held by Bain Capital Sunac Limited, a limited liability company incorporated in the Cayman Islands and owned as to 99.48% by Bain Capital Asia Integral Investors, L.P., which is owned as to 94.45% by Bain Capital Asia Fund, L.P. Bain Capital Partners Asia, L.P. is the general partner of, and owns 0.10% of the partnership interest in, Bain Capital Asia Fund, L.P. Bain Capital Investors, LLC is the general partner of, and owns 0.10% of the partnership interest in, Bain Capital Partners Asia, L.P. and Bain Capital Asia Integral Investors, L.P.
- (4) Represents 125,200,737 ordinary shares held by CDH Aurora Limited, a limited liability company incorporated in the British Virgin Islands and wholly owned by CDH China Fund III, L.P. CDH China Fund III, L.P. is an exempted limited partnership organized under the laws of the Cayman Islands and is focused on private equity investments in China. The general partner of CDH China Fund III, L.P. is CDH III Holdings Company Limited, a limited liability company incorporated under the laws of the Cayman Islands. China Diamond Holdings III, L.P. is the holding company of CDH III Holdings Company Limited, and China Diamond Holdings Company Limited is the general partner of China Diamond Holdings III, L.P.



## RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between us and our jointly controlled entities and associates at the time and our controlling shareholders during the three years ended December 31, 2012.

### **Shareholder's Loans and Advances to Related Parties**

#### *Shareholder's loan and advances to Chongqing Yatai*

In 2006, our subsidiary Sunac Zhidi granted Chongqing Yatai, a jointly controlled entity of our Company at the time, an interest-free shareholder's loan through an entrusted loan arrangement for the purpose of financing the development costs of Sunac Asia Pacific Enterprise Valley. For the years ended December 31, 2009 and 2010, Chongqing Yatai repaid to Sunac Zhidi RMB58.5 million and RMB24.0 million, respectively. This loan had been fully repaid as of December 31, 2010.

In May 2009, Sunac Zhidi made an advance of RMB29.4 million to Chongqing Yatai. Chongqing Yatai fully repaid this advance in March 2010.

In December 2010, Sunac Zhidi made an advance of RMB450.1 million to Chongqing Yatai. In January 2011, Chongqing Yatai ceased to be a jointly controlled entity of our Company and we began to consolidate the financial results of Chongqing Yatai into our consolidated financial statements.

#### *Shareholder's loan to Chongqing Shangshan*

In 2006, our subsidiary Sunac Zhidi granted Chongqing Shangshan Real Estate Co., Ltd. ("Chongqing Shangshan"), a jointly controlled entity of our Company at the time, an interest-free shareholder's loan through an entrusted loan arrangement for the purpose of financing the primary land development of certain land in Beibei, Chongqing. For the year ended December 31, 2009, Chongqing Shangshan repaid to Sunac Zhidi RMB10.0 million. This loan had been fully repaid as of December 31, 2009.

#### *Shareholder's loan to Sunac Hengji*

In January 2009, our subsidiary Sunac Zhidi granted Sunac Hengji, an associate of our Company at the time, a loan in the amount of RMB293.1 million through an entrusted loan arrangement for general working capital purposes. This loan had an initial term of 24 months, during which the interest rate was fixed at 8% per year. The term was subsequently extended for another year until January 4, 2012, and the interest rate was revised to 6.81% per year. Sunac Hengji repaid RMB131.5 million and RMB161.5 million in 2010 and 2011, respectively, and had therefore fully repaid this loan as of December 31, 2011. We received interest income of RMB22.2 million and RMB5.9 million with respect to this loan from Sunac Hengji in 2010 and 2011, respectively.

#### *Shareholder's loan and advance to Tianjin Poly Sunac*

In December 2011, our subsidiary Sunac Zhidi made an advance of RMB56.8 million to our associate Tianjin Poly Sunac. Tianjin Poly Sunac fully repaid this advance in January 2012.

#### *Shareholder's loan to Franshion Sunac*

In 2012, our subsidiary Sunac Zhidi granted Franshion Sunac a shareholder's loan in the amount of RMB155.4 million for the purpose of financing the development costs of Horizon Capital.

#### ***Shareholder's loan to Beitang Sunac***

In 2012, our subsidiary Sunac Zhidi granted Beitang Sunac a shareholder's loan in the amount of RMB163.8 million for the purpose of financing the development costs of Dream of Mansion.

#### ***Shareholder's loan to Gezhouba Lvrong***

In 2012, our subsidiary Shanghai Sunac Greentown Investment Holding Co., Ltd. granted Shanghai Gezhouba Lvrong Real Estate Co., Ltd. ("Gezhouba Lvrong") a shareholder's loan in the amount of RMB1,227.0 million for the purpose of financing property development.

#### ***Shareholder's loan to Beijing Poly Sunac***

In 2012, our subsidiary Shanghai Sunac Greentown granted Beijing Poly Sunac Real Estate Co., Ltd. ("Beijing Poly Sunac") a shareholder's loan in the amount of RMB544.4 million for the purpose of financing property development.

#### ***Shareholder's loan to Poly Hongrong***

In 2012, our subsidiary Shanghai Sunac Greentown granted Shanghai Poly Hongrong Real Estate Co., Ltd. ("Poly Hongrong") a shareholder's loan in the amount of RMB249.1 million for the purpose of financing property development.

#### **Advances from Related Parties**

##### ***Advance from Shanghai Golf***

In 2012, Shanghai Woods Golf Real Estate Co., Ltd. ("Shanghai Golf") made an advance in the amount of RMB1,141.3 million to our subsidiary Shanghai Sunac Greentown for the purpose of financing property development.

##### ***Advance from Changzhou Greentown***

In 2012, Changzhou Greentown made an advance in the amount of RMB148.3 million to our subsidiary Shanghai Sunac Greentown for the purpose of financing property development.

#### **Dividends to and from Related Parties**

##### ***Dividend paid to Sunac International***

We paid an interim cash dividend in the amount of US\$28.0 million, equivalent to RMB191.2 million, and US\$19.6 million, equivalent to RMB122.0 million, to our controlling shareholder Sunac International in 2010 and 2012, respectively.

##### ***Dividend received from Sunac Hengji***

We received a dividend payment in the amount of RMB181.1 million from Sunac Hengji in 2011.

#### **Guarantee for Exchangeable Bonds**

On October 26, 2007, Sunac International issued US\$200 million aggregate principal amount of 7% exchangeable bonds due 2010, which were partly secured by equity interests in our Company and certain of our subsidiaries. Our relevant financial guarantee liability was initially recognized at its fair value to be RMB349,000 on October 26, 2007, as valued by DTZ Debenham Tie Leung Ltd., an independent professional valuer. Such liability was released in full upon our listing in October 2010.

### **Acquisition of Equity Interest in APEV Property Management**

In January 2011, our subsidiary Sunac Zhidi acquired from Chongqing Yuneng Real Estate (Group) Co., Ltd. (“Chongqing Yuneng”) a 40% equity interest in APEV Property Management for RMB200,000. In September 2012, we acquired an additional 15% equity interest in APEV Property Management for RMB75,000 from Chongqing Yuneng and the remaining 45% equity interest in APEV Property Management for RMB225,000 from a company controlled by Sun Hongbin, our Chairman and Chief Executive Officer.

## DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan and other financing agreements with banks and other financial institutions in China and obtained financing through debt offering in the international capital markets. As of December 31, 2012, our total outstanding borrowings amounted to RMB21,725.0 million (US\$3,487.1 million) and the weighted average interest rate on our borrowings was 9.36% per annum. Set forth below is a summary of the material terms and conditions of these loans and other material indebtedness.

### PRC Project Loans

Project loans from PRC banks and other financial institutions, such as trust companies, constitute the major source of our borrowings. These are typically term loans to finance the construction of our projects and have a typical term of two to four years. Certain of our PRC subsidiaries entered into loan agreements with various PRC banks, including Agricultural Bank of China, Industrial and Commercial Bank of China, Bank of China, China Construction Bank, Industrial Bank, Hua Xia Bank, Tianjin Rural Cooperative Bank, Chongqing Rural Commercial Bank and Shanghai Pudong Development Bank, as well as trust companies, including Tianjin Trust Co., Ltd., China Foreign Economy and Trade Trust Co., Ltd. and Guolian Trust Co., Ltd. As of December 31, 2012, the total amount outstanding under these project loans amounted to RMB21,725.0 million (US\$3,487.1 million), of which RMB11,782.5 million (US\$1,891.2 million) was due within a period of not more than one year and RMB9,942.5 million (US\$1,595.9 million) was due within a period of more than one year. Our project loans are typically secured by land use rights or properties, or both. Some of these projects loans are also guaranteed by certain of our PRC subsidiaries.

#### *Interest*

Our project loans bear interest at fixed rates or floating rates calculated by reference to the applicable PBOC benchmark lending rate. 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 the date of this offering memorandum, the one-year PBOC benchmark lending rate is 6.00%, the one-to-three-year PBOC benchmark lending rate is 6.15%, and the three-to-five-year PBOC benchmark lending rate is 6.4%.

#### *Covenants*

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- prepay the loans;
- incur additional debts that may adversely affect their ability to repay the loans;
- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- enter into agreements in a way that may adversely affect their ability to repay the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;

- alter the nature or scope of business operations, project proposals or budgets in any material respect;
- sell, lease, transfer, give, mortgage, charge or otherwise dispose of any material assets, or lease, transfer, give or re-mortgage assets that have been mortgaged;
- declaring or making payment of dividend or other distribution before the debt service schedules are met;
- prepay the loans, subject to any applicable penalty; and
- transfer part or all of their liabilities under the loans to a third party.

### ***Guarantee and Security***

The majority of the project loans are secured by land use rights or certain completed properties or properties under development, or both, of the subsidiary borrowers or our other PRC subsidiaries. As of December 31, 2012, RMB19,400.5 million (US\$3,114.0 million) of our project loans were secured by land use rights or properties, or both. In addition, certain of our PRC subsidiaries have entered into guarantee agreements with the lenders in connection with some of the project loans, pursuant to which they agreed to guarantee the liabilities of the subsidiary borrowers under the project loans.

### ***Events of Default***

The project loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The lenders are entitled to terminate their respective agreements and demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

### **2012 Notes**

On October 16, 2012, we entered into an indenture (as amended and supplemented from time to time, the “2012 Indenture”) pursuant to which we issued US\$400,000,000 principal amount of the 12.5% Senior Notes due 2017. As of December 31, 2012, the entire principal amount of the 2012 Notes remained 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***

In order to secure the obligations under the 2012 Notes, the Company and the 2012 Subsidiary Guarantors under the 2012 Indenture pledged the capital stock of all such 2012 Subsidiary Guarantors for the benefit of the holders of the 2012 Notes (the “2012 Notes Collateral”). The 2012 Notes 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.

### ***Interest***

The 2012 Notes bear an interest rate of 12.5% per annum, payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the 2012 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of Default***

The 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.

### ***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.

### ***Maturity and Redemption***

The maturity date of the 2012 Notes is October 16, 2017.

At any time on or after October 16, 2015, we may redeem the 2012 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 16 of each of the years indicated below.

<b>Year</b>	<b>Redemption Price</b>
2015.....	106.25%
2016 and thereafter .....	103.125%

At any time prior to October 16, 2015, we may 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 a premium as of, and any accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to October 16, 2015, we may redeem up to 35% of the aggregate principal amount of the 2012 Notes at a redemption price equal to 112.5% of the principal amount of the 2012 Notes, plus any accrued and unpaid interest, to (but not including) the redemption date, with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a 2017 Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws, we may redeem the 2012 Notes as a whole, but not in part, at a redemption price equal to 100% of the principal amount of the 2012 Notes, plus any accrued and unpaid interest, to the redemption date, subject to certain exceptions.

### **Other Financing Facilities**

#### ***Yixing Sunac Dongjiu Financing***

On March 19, 2010, our subsidiary Tianjin Dingsheng Juxian Property Management Limited ("Dingsheng Juxian") entered into entrusted loan agreements with Industrial and Commercial Bank of China, Wuxi Helie Branch ("ICBC") and our subsidiary Yixing Sunac Dongjiu, pursuant to which Dingsheng Juxian agreed to grant, through ICBC, to Yixing Sunac Dongjiu credit facilities with an aggregate principal amount of RMB560.0 million. These credit facilities were fully drawn down on March 19 and 22, 2010 but were not reflected on our consolidated balance sheet due to the elimination of intercompany loans upon consolidation.

On April 16, 2010, Dingsheng Juxian assigned all of its rights and obligations under these credit facilities to Rongde Asset Management Co., Ltd. ("Rongde") for a cash consideration of RMB560.0 million, which was the same amount as the amount of the entrusted loans provided by Dingsheng Juxian to Yixing Sunac Dongjiu. The entrusted loans from Dingsheng Juxian were funded by our internal funds and were provided in March 2010 to primarily facilitate the meeting of Yixing Sunac Dongjiu's funding requirements while we were in the process of discussing the financing arrangements with third-party lenders. After reaching agreement with Rongde regarding its provision of financing to Yixing Sunac Dongjiu in April 2010, Dingsheng Juxian assigned the entrusted loans to Rongde, as a result of which Rongde became the lender of the entrusted loans of RMB560.0 million in place of Dingsheng Juxian.

The purpose of these entrusted loans is to fund part of the development costs of Sunac Royal Garden. The term of the entrusted loans was three years. The interest rate is currently set at 18.39% per annum, subject to changes in the PBOC benchmark lending interest rate. Interest

payments are calculated and payable on quarterly basis while the principal amount will be due and payable in full on March 19, 2013. To secure Yixing Sunac Dongjiu's obligations under these entrusted loans, (i) the land use rights to certain land parcels held by each of Yixing Sunac Dongjiu, Sunac Zhidi, Wuxi Sunac City and Wuxi Sunac Real Estate were charged, (ii) 100% and 45% of the equity interests in Sunac Ao Cheng and Yixing Sunac Dongjiu were pledged respectively, and (iii) a guarantee by Sunac Zhidi was made, all to or in favor of Rongde.

As part of the Yixing Sunac Dongjiu financing arrangements, Rongde also entered into an agreement on April 16, 2010 with Yixing Sunac Dongjiu to provide a cash funding of RMB40.0 million to Yixing Sunac Dongjiu. The funding was structured as a capital injection for a 10% equity interest in Yixing Sunac Dongjiu, which was issued to Rongde on June 23, 2010. The 10% equity interest in Yixing Sunac Dongjiu is held by Rongde principally to provide an additional form of security to Rongde for the amounts lent or otherwise provided by Rongde to us. Rongde is not entitled to any dividend right for such equity interest. Pursuant to an equity transfer agreement dated April 16, 2010 between Rongde and Wuxi Sunac Real Estate, Rongde agreed to transfer back its 10% equity interest in Yixing Sunac Dongjiu to Wuxi Sunac Real Estate for a consideration of RMB40.0 million on March 19, 2013, or on any earlier date as agreed by the parties or as provided under the equity transfer agreement. In connection with our obligations to repay RMB40.0 million to Rongde, the land use rights to certain land parcel held by Yixing Sunac Dongjiu and Chunshen Lake and certain properties under development in Sunac Swan Lake and Sunac Dream of City were charged, and a guarantee by Sunac Zhidi was made, all to or in favor of Rongde.

In connection with these loans from Rongde, Yixing Sunac Dongjiu agreed, among other things, to obtain consent from Dingsheng Juxian and Rongde sixty days prior to conducting any major investments or changes to its corporate structure, such as entering into joint ventures, mergers and acquisitions, as well as reorganizations.

In September 2011 we made a capital injection to Yixing Sunac Dongjiu in the amount of RMB400.0 million, as a result of which Rongde's equity interest in Yixing Sunac Dongjiu decreased to 5% and our equity interest in Yixing Sunac Dongjiu increased to 95%. In April 2012, we purchased the equity interest in Yixing Sunac Dongjiu from Rongde for a cash consideration of RMB40.0 million. As a result, Yixing Sunac Dongjiu became our wholly owned subsidiary.

Based on instructions of Dingsheng Juxian, ICBC is entitled to terminate the agreements and/or demand immediate repayment of the loans and any accrued interest from Yixing Sunac Dongjiu if Yixing Sunac Dongjiu, among other things, (i) fails to repay any of the loans or accrued interest; (ii) materially changes the specified purposes of the loans; (iii) fails to provide audited financial reports as requested or provides false audited financial reports; or (iv) is involved in any material litigation, arbitration or any other legal proceedings.

As of December 31, 2012, the aggregate amount outstanding under these loans from Rongde amounted to RMB230.0 million (US\$36.9 million).

#### ***Wuxi Equity Purchase Loans***

On June 10, 2010, Sunac Zhidi entered into a loan agreement with Agricultural Bank of China in relation to secured loans in an aggregate amount of RMB340.0 million, which were drawn down on June 10, 2010 to partially fund our purchase of a 49% equity interest in Wuxi Sunac Real Estate from Tianjin Binhai Development Investment Holdings Co., Ltd. ("Tianjin Binhai") and to repay certain shareholder's loan provided by Tianjin Binhai to Wuxi Sunac Real Estate. These loans have a term of four years and bear interest at a rate equal to the applicable benchmark lending rate published by PBOC.

In connection with these loans, Sunac Zhidi agreed, among other things, to obtain written consent from Agricultural Bank of China before: (i) altering its shareholder structure, scope of business operations or investment strategies in any material respects; (ii) granting guarantees to any third parties that may adversely affect its ability to repay the loans; and (iii) transferring or pledging the equity interest in Wuxi Sunac Real Estate obtained from this financing to any third parties.



To secure Sunac Zhidi's payment obligations, (i) our 100% equity interest in Wuxi Sunac Real Estate was pledged, (ii) guarantees by Sunac Ao Cheng and Chongqing Jiye were made, and (iii) a guarantee by Mr. Sun was made, all in favor of Agricultural Bank of China.

Agricultural Bank of China is entitled to terminate the agreements and/or demand immediate repayment of the loans and any accrued interest if Sunac Zhidi, among other things, (i) expresses, or appears to have, an intention not to repay any of the loans or accrued interest; (ii) breaches the terms of any agreement entered into in connection with the loans; or (iii) fails to provide or provide false documents or information as requested by Agriculture Bank of China.

As of December 31, 2012, the aggregate amount outstanding under these loans amounted to RMB170.0 million (US\$27.3 million).

### ***SDIC Trust Loan***

On July 1, 2010, each of Sunac Zhidi and Sunac Ao Cheng entered into a loan agreement with SDIC Trust Co., Ltd. ("SDIC Trust"), pursuant to which SDIC Trust agreed to provide a loan of RMB450.0 million to Sunac Zhidi to fund certain construction costs of Sunac Mind-Land International and a loan of RMB250.0 million to Sunac Ao Cheng to fund certain construction costs of Sunac Magnetic Capital. These loans were fully drawn down in July 2010 and have a term of 24 months. Interest payments at a fixed interest rate of 10% are payable on December 20, 2010, June 20, 2011, December 20, 2011 and the maturity date for each of these loans.

In connection with these loans, each of Sunac Zhidi and Sunac Ao Cheng agreed, among other things, not to take the following actions without first obtaining written consent from SDIC Trust: (i) distributing any dividend within the term of this loan agreement; (ii) making major changes to its corporate structure, such as entering into joint ventures, mergers and acquisitions, as well as reorganization; (iii) transferring part or all of its liabilities under the respective loans to any third party; and (iv) granting guarantees to any third parties that may adversely affect its ability to repay its loan.

China National Investment & Guaranty Co., Ltd. ("CNIG") agreed to provide guarantees to SDIC Trust for each of these loans. To secure the guarantees made by CNIG in connection with these loans to Sunac Zhidi and Sunac Ao Cheng, (i) guarantees by each of the Company and Sunac Mingxiang were made, (ii) guarantees by each of our Directors Mr. Sun and Mr. Wang Mengde were made, (iii) our 99.5% equity interest in Sunac Mingxiang was pledged, and (iv) the land use rights to certain land in respect of Sunac PL Du Pantheon were agreed to be charged, all to or in favor of CNIG.

To further secure the guarantees made by CNIG, on July 2, 2010, Sunac Zhidi transferred to CNIG certain shares in Sunac Mingxiang equal to 1% of the equity interest in Sunac Mingxiang at the time, for which CNIG agreed to pay a cash consideration of RMB4 million. Such shares in Sunac Mingxiang were held by CNIG principally to provide an additional form of security to CNIG for the amount secured by CNIG for us. CNIG was not entitled to any dividend in respect of such equity interest. CNIG agreed to transfer back such shares in Sunac Mingxiang to Sunac Zhidi for the same amount of cash consideration of RMB4 million upon the completion of all relevant obligations of Sunac Zhidi, Sunac Ao Cheng and Sunac Mingxiang under the above arrangements.

SDIC is entitled to terminate the agreements and/or demand immediate repayment of the loans and any accrued interest if Sunac Zhidi and/or Sunac Ao Cheng, among other things, (i) fails to repay any of the loans or accrued interest within 30 days from the due date; (ii) provides false, inaccurate, incomplete or misleading documents, certificates, assurances or statements in connection with these loans; or (iii) experiences insolvency, dissolution, suspension of business licenses or is involved in material financial disputes. Each of Sunac Zhidi and Sunac Ao Cheng is entitled to prepay its loan, by giving 10 days' written notice, at any time nine months after the date of drawdown.

As of December 31, 2011, the aggregate amount outstanding under these loans amounted to RMB700.0 million (US\$110.2 million). In February 2012, we fully repaid the loan of RMB450.0 million from SDIC Trust to Sunac Zhidi. In March 2012, we purchased the equity interest in Sunac Mingxiang held by CNIG for a cash consideration of RMB4 million. In July 2012, we fully repaid the loan of RMB250.0 million from SDIC Trust to Sunac Ao Cheng.

#### ***Tianjin Trust Financing***

In July 2010, we obtained financing in a net amount of RMB250.0 million from Tianjin Trust Co., Ltd. (“Tianjin Trust”), by way of transferring to Tianjin Trust certain intra-group receivables. These receivables represented intra-group amounts due from Sunac Zhidi to Sunac Ao Cheng in a total amount of RMB400.0 million, and Sunac Ao Cheng’s right to such receivables was transferred to Tianjin Trust for a consideration of RMB400.0 million. In connection with this form of financing arrangement, Tianjin Trust securitized (i) RMB250.0 million of such receivables as investment trust products for subscription by investors and (ii) RMB150.0 million of such receivables as investment trust products for subscription by Sunac Ao Cheng. The RMB250.0 million receivables in respect of the investment trust products for investors have a higher priority of payment than the RMB150.0 million receivables in respect of the investment trust products for Sunac Ao Cheng. Sunac Ao Cheng is required to redeem all receivables from Tianjin Trust on July 5, 2012 for RMB400.0 million and make additional quarterly payments to Tianjin Trust at a rate of return of 13% per year on the RMB250.0 million receivables in respect of the investment trust products for investors. As a result of this financing arrangement, Sunac Ao Cheng obtained a net amount of financing of RMB250.0 million from Tianjin Trust.

This financing is secured by a share pledge in respect of a 30% equity interest in Chongqing Jiye. We use the proceeds from such financing to fund part of the construction costs of Sunac Magnetic Capital.

In July 2012, we fully repaid the financing of RMB250.0 million from Tianjin Trust.

#### ***Daye Trust Financing***

In June 2011, we obtained financing in a net amount of RMB600.0 million from Daye Trust Co., Ltd. (“Daye Trust”). In connection with this financing arrangement, Daye Trust (1) set up an investment trust scheme with a term of 18 months (“Daye Trust Scheme I”) and securitized (i) RMB600.0 million preferential investment trust products for subscription in cash by investors and (ii) RMB500.0 million subordinated investment trust products for subscription by Sunac Zhidi by way of assignment of certain receivables due from Sunac Jiye to Sunac Zhidi and the dividend rights with respect to Sunac Zhidi’s remaining equity interests in Sunac Jiye and (2) contributed the sum of RMB600.0 million raised from investors toward the registered capital and capital reserve fund of Sunac Jiye in exchange for a 49% equity interest in Sunac Jiye. The preferential investment trust products have a higher priority of payment than the subordinated investment trust products. Sunac Zhidi is required to acquire all preferential investment trust products from the investors by the expiration date of Daye Trust Scheme I for an amount equal to the sum of RMB600.0 million and an additional payment at a rate of return of 17% per year on the RMB600.0 million. If Sunac Zhidi does not acquire the preferential investment trust products by the 17 months after the establishment of Daye Trust Scheme I, the term of Daye Trust Scheme I will be automatically extended for an additional 29 months and Sunac Zhidi is required to acquire all preferential investment trust products from the investors for an amount equal to the sum of RMB600.0 million and an additional payment at a rate of return of 23% per year on the RMB600.0 million by the end of the extended term of Daye Trust Scheme I.

This financing is secured by (i) a share pledge in respect of the remaining 51% equity interests in Sunac Jiye held by Sunac Zhidi, (ii) a pledge in respect of the land use right for the site of the Sunac Long Beach Mansion project and (iii) a share pledge in respect of a 46.1% equity interests in Sunac Zhidi held by our Company. We use the proceeds from such financing to fund part of the construction costs of Sunac Long Beach Mansion.

In April and May 2012, we repaid the loan of RMB200.0 million and RMB400.0 million from Daye Trust.

#### ***Xinhua Trust Financing***

In June 2011, we obtained financing in a net amount of RMB600.0 million from Xinhua Trust Holding Limited (“Xinhua Trust”). In connection with this financing arrangement, Xinhua Trust (i) set up an investment trust scheme with a term of 18 months (“Xinhua Trust Scheme”) and securitized RMB600.0 million investment trust products for subscription by investors and (ii) contributed the sum of RMB600.0 million raised from investors toward the registered capital of Sunac Shangfeng in exchange for a 50% equity interest in Sunac Shangfeng. Chongqing Jiye is required to pay to Xinhua Trust an amount equal to the sum of RMB600.0 million and an additional payment at a rate of return of 17% per year on the RMB600.0 million by the expiration date of the Xinhua Trust Scheme. Upon this payment by Chongqing Jiye, Xinhua Trust will transfer its equity interests in Chongqing Shangshan to our Company for a nominal consideration of RMB1.0.

This financing is secured by (i) a share pledge in respect of the remaining 50% equity interests in Chongqing Shangfeng held by Chongqing Jiye and (ii) a guarantee from Sunac Zhidi in favor of Xinhua Trust. We use the proceeds from such financing to fund part of the construction costs of Sunac Eton Manor.

In December 2012, we fully repaid the financing of RMB600.0 million from Xinhua Trust and Xinhua Trust transferred its equity interest in Chongqing Shangshan back to our Company as previously agreed.

#### ***Daye Trust Scheme II***

In November 2011, we agreed to cooperate with Daye Trust for the establishment of an investment trust scheme (“Daye Trust Scheme II”). Daye Trust Scheme II provides for (i) up to RMB880.0 million ultra-preferential and preferential investment trust products for subscription by investors and (ii) up to RMB320.0 million subordinated investment trust products for subscription by us. Daye Trust agreed to invest the funds raised through Daye Trust Scheme II in our property projects or other quality property projects.

In March 2012, Daye Trust agreed to invest RMB594.7 million of the funds raised through Daye Trust Scheme II to acquire a 49.56% equity interest in Sunac Mingxiang. If the amount of proceeds raised from the sale of ultra-preferential and preferential investment trust products exceeds RMB594.7 million, Daye Trust Scheme II agreed to contribute the excess amount toward the registered capital of Sunac Mingxiang and we agreed to make corresponding additional capital contribution to Sunac Mingxiang to maintain our 50.44% equity interest in Sunac Mingxiang.

Under this equity cooperative arrangement, Daye Trust Scheme II will have preferential dividend and liquidation rights over us with respect to Sunac Mingxiang. After the first anniversary of Daye Trust Scheme II’s investment in Sunac Mingxiang, Daye Trust Scheme II will have the right to dispose of or transfer its equity interest in Sunac Mingxiang, subject to our right of first refusal.

We have agreed to subscribe for RMB200.0 million subordinated investment trust products of the Daye Trust Scheme II by way of assignment of certain account receivables due from Sunac Mingxiang to Sunac Zhidi. An amount of RMB23.0 million of the account receivables assigned shall be repaid within 12 months of the date of establishment of the Daye Trust Scheme II and the balance to be settled on the earlier of: (i) the date when Sunac Zhidi has paid the consideration for the equity transfer after exercising the right of first refusal; (ii) the date when Sunac Zhidi renounces the right of first refusal; or (iii) the third anniversary of the date of establishment of Daye Trust Scheme II.

The repayment of the account receivables assigned to Daye Trust Scheme II is secured by (i) a pledge in respect of the land use right for the site of the Sunac PL Du Pantheon project, (ii) a share pledge in respect of the equity interests in Sunac Zhidi held by our Company and (iii) a guarantee from Sunac Zhidi in favor of Daye Trust.

In April 2012, Daye Trust raised RMB604.2 million from investors and RMB100.0 million from us, acquired a 49.56% equity interest in Sunac Mingxiang from Sunac Zhidi for a cash consideration of RMB594.7 million and made a capital contribution in the amount of RMB109.5 million to Sunac Mingxiang. We made corresponding additional capital contribution to Sunac Mingxiang in the amount of RMB111.4 million to maintain our 50.44% equity interest in Sunac Mingxiang. Following the completion of this transaction, Sunac Mingxiang is held as to 50.44% by us and 49.56% by Daye Trust Scheme II. We plan to use the proceeds from this transaction to fund part of the construction costs of the Sunac PL Du Pantheon project.

### ***Changan Trust Financing***

In April 2012, we obtained financing in a net amount of RMB300.0 million from Changan International Trust Co., Ltd. (“Changan Trust”). In connection with this financing arrangement, Changan Trust (i) set up an investment trust scheme with a term of 18 months (“Changan Trust Scheme”) and securitized RMB300.0 million investment trust products for subscription by investors and (ii) contributed RMB300.0 million toward the registered capital of Yixing Sunac Dongjiu in exchange for a 27.3% equity interest in Yixing Sunac Dongjiu. Wuxi Sunac Real Estate is required to pay to Changan Trust an amount equal to the sum of RMB300.0 million and an additional payment at a rate of return of 13.2% per year on the RMB300.0 million by the expiration date of the Changan Trust Scheme. Upon this payment by Wuxi Sunac Real Estate, Changan Trust will transfer its equity interests in Yixing Sunac Dongjiu to Wuxi Sunac Real Estate.

This financing is secured by (i) a share pledge in respect of the remaining 72.7% equity interests in Yixing Sunac Dongjiu held by Wuxi Sunac Real Estate, (ii) a charge in respect of the land use rights to certain land parcels held by Yixing Sunac Dongjiu and (iii) a guarantee from Sunac Zhidi in favor of Changan Trust. We used the proceeds from such financing to repay our loans from Rongde.

As of December 31, 2012, the amount outstanding under this financing amounted to RMB300.0 million (US\$48.2 million).

## DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Sunac China Holdings 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 April 5, 2013, among the Company, the Subsidiary Guarantors, as guarantors, the Trustee (as defined below), as trustee and the Collateral Agent, as defined below, as collateral agent.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees and the Intercreditor Agreement (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at DB Trustees (Hong Kong) Limited, Attention: Managing Director, Level 52 International Commerce Center, 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 the 2012 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, 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 in “Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”;
- effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “– Security” and will:

- be entitled to a lien on the Collateral (subject to any Permitted Liens, the Intercreditor Agreement and shared on a *pari passu* basis with the holders of the 2012 Notes and any holders of Permitted *Pari Passu* Secured Indebtedness); 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 April 5, 2018, unless earlier redeemed pursuant to the term thereof and the Indenture.

The Notes will bear interest at 9.375% 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 semiannually in arrears on April 5 and October 5 of each year (each an “Interest Payment Date”), commencing October 5, 2013. Interest on the Notes will be paid to Holders of record at the close of business on March 21 or September 20 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 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 be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York or at the office of the Paying Agent, 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. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

### **The Subsidiary Guarantees**

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”) and the Existing Offshore Non-Guarantor Subsidiaries. The Subsidiary Guarantors are holding companies that do not have significant operations. The Existing Offshore Non-Guarantor Subsidiaries are newly incorporated subsidiaries that do not, as of the Original Issue Date, have any asset other than their respective issued share capital.

The initial Subsidiary Guarantors will be Sunac Real Estate Investment Holdings Ltd, Qiwei Real Estate Investment Holdings Ltd., Ying Zi Real Estate Investment Holdings Ltd, Jujin Real Estate Investment Holdings Ltd, Jujin Property Investment Holdings Limited, Ding Sheng Real Estate Investment Holdings Ltd, Ding Sheng Property Investment Holdings Limited, Zhuo Yue Real Estate Investment Holdings Limited and Zhuo Yue Property Investment Holdings Limited.

None of the existing PRC 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.

In the case of a Restricted Subsidiary (i) that is established after the Original Issue Date, (ii) that is incorporated 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 20.0% 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% and no more than 80.0% 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, provide 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;
- 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 Collateral 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 December 31, 2012, the Company and its consolidated subsidiaries had total consolidated indebtedness of approximately RMB21,725.0 million (US\$3,487.1 million), of which approximately RMB19,326.2 million (US\$3,102.1 million) was secured.

As of December 31, 2012, the Non-Guarantor Subsidiaries had total liabilities of approximately RMB54,057.0 million (US\$8,676.7million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB32,504.8 million (US\$5,217.4 million) and contingent liabilities of approximately RMB5,124.2 million (US\$822.5 million).

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 the subsidiary guarantee for the 2012 Notes and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, 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).



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. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (Restricted Subsidiaries other than those organized under the laws of the PRC that do not provide Subsidiary Guarantee or JV Subsidiary Guarantee in accordance with the Indenture, the “New Non-Guarantor Subsidiaries,” and together with the PRC Non-Guarantor Subsidiaries and the Existing Offshore Non-Guarantor Subsidiaries, the “Non-Guarantor Subsidiaries”) at the time such entity becomes a Restricted Subsidiary; *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Shanghai Sunac Greentown) do not account for more than 25.0% of the Total Assets of the Company.

If, at any time, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Shanghai Sunac Greentown) exceed 25.0% of the Total Assets of the Company, the Company must promptly (i) remove the designation of one or more New Non-Guarantor Subsidiaries or Existing Offshore Non-Guarantor Subsidiaries and cause such New Non-Guarantor Subsidiaries or Existing Offshore Non-Guarantor Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiaries will guarantee the payment of the Notes or (ii) designate one or more New Non-Guarantor Subsidiaries or Existing Offshore Non-Guarantor Subsidiaries as Unrestricted Subsidiaries or (iii) cause one or more New Non-Guarantor Subsidiaries or Existing Offshore Non-Guarantor Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock *pro rata* to their respective shareholders or on a basis more favorable to the Company, in the case of each of (i), (ii) and (iii) above, in accordance with the terms of the Indenture and such that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Shanghai Sunac Greentown) no longer exceed 25.0% of the Total Assets of the Company. Such removal of designation as a New Non-Guarantor Subsidiary or Existing Offshore Non-Guarantor Subsidiary, designation as an Unrestricted Subsidiary or payment of dividends or distributions must be made promptly and in any event no later than 30 days after the date any consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements) which show that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Shanghai Sunac Greentown) exceed 25.0% of the Total Assets of the Company.

The Board of Directors may at any time remove the designation of any New Non-Guarantor Subsidiary or Existing Offshore Non-Guarantor Subsidiary by causing it to execute a supplemental indenture pursuant to which it will guarantee the Notes under a Subsidiary Guarantee in accordance with the provisions of the Indenture and delivering such supplemental indenture to the Trustee as a result of which it will become a Subsidiary Guarantor. Simultaneously, the Company will cause all of the Capital Stock in Restricted Subsidiaries (other than a Non-Guarantor Subsidiary) owned directly by such Subsidiary Guarantor to be pledged to secure its Subsidiary Guarantee.

In the case of a Subsidiary Guarantor or a JV Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor or a JV Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees or the JV Subsidiary Guarantees provided by such Subsidiary

Guarantor or JV Subsidiary Guarantor, as the case may be, and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor (or JV Subsidiary Guarantor, as the case may be) and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), *provided* that after the release of such Subsidiary Guarantees or JV Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries), other than Shanghai Sunac Greentown, do not account for more than 25.0% of the Total Assets of the Company. A Subsidiary Guarantee of a Subsidiary Guarantor or a JV Subsidiary Guarantee of a JV Subsidiary Guarantor may only be released pursuant to this paragraph if 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 or JV Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor or JV Subsidiary Guarantor.

Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries 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.

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 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 security interest in the Collateral (subject to any Permitted Liens, the Intercreditor Agreement and shared on a *pari passu* basis with the holders of the 2012 Notes and any holders of Permitted *Pari Passu* Secured Indebtedness) 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 right 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 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 under the captions “– 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;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer’s Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

***Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20.0% 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;
- 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 Collateral 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 have pledged in favor of the Collateral Agent the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (the "Collateral") (subject to Permitted Liens and pari passu sharing as described below) in order to secure the obligations of the Company under the indenture for the 2012 Notes and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of 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 execution of the Intercreditor Agreement in the manner as described under “– Intercreditor Agreement”, such security interests will be so extended.

The initial Subsidiary Guarantor Pledgors are Jujin Real Estate Investment Holdings Ltd, Ding Sheng Real Estate Investment Holdings Ltd and Zhuo Yue Real Estate Investment Holdings 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 or other Non-Guarantor Subsidiaries will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Trustee.

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, the Capital Stock directly 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 or other Non-Guarantor Subsidiaries) after the Original Issue Date, promptly upon such Person becoming a Restricted Subsidiary, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above. Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

In addition, the Company has agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, any Capital Stock of a Restricted Subsidiary (other than a Restricted Subsidiary organized under the laws of the PRC or other Non-Guarantor Subsidiaries or a Restricted Subsidiary owned directly by such Restricted Subsidiary) issued to, acquired, or otherwise obtained by the Company or such Subsidiary Guarantor after the Original Issue Date, promptly upon such Capital Stock being issued, acquired or otherwise obtained, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee.

The value of 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, the 2012 Notes and other *pari passu* secured indebtedness.”

DB Trustees (Hong Kong) Limited will initially act as the Trustee and the Collateral Agent under the Security Documents and the Intercreditor Agreement, in respect of the security over the Collateral. The Collateral Agent shall have such duties with respect to the Collateral as

are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Trustee and the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders, the holders of the 2012 Notes and the holders of the Permitted Pari Passu Secured Indebtedness Parties.

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 (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors. 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 under the caption "– Limitation on Indebtedness and Preferred Stock," (2) the holders of such Indebtedness (other than Additional Notes) (or their trustee, representative or agent) become party to the Intercreditor Agreement referred to below; and (3) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent (as defined below) an Opinion of Counsel and an Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee and/or the Collateral 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, the Intercreditor Agreement 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 and the terms of the Indenture (including, without limitation, the appointment of the Collateral Agent or any other collateral agent to hold the Collateral on behalf of the Holders, the holders of the 2012 Notes and the holders of Permitted Pari Passu Secured Indebtedness).

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.

None of the Trustee, the Collateral Agent or 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.

### ***Intercreditor Agreement***

On or prior to the date of the Indenture, (i) the Company, (ii) the initial Subsidiary Guarantor Pledgors, (iii) the Collateral Agent, (iv) DB Trustees (Hong Kong) Limited, as trustee with respect to the 2012 Notes and (v) the Trustee will enter into an intercreditor agreement (as may be amended, supplemented or modified from time to time, the “Intercreditor Agreement”) dated as of the Original Issue Date, pursuant to which the parties thereto will agree that (1) the secured parties thereto and the holders of any future Permitted Pari Passu Secured Indebtedness (or their trustee, representative or agent) will share equal priority and pro rata entitlement in and to the Collateral; (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 (as defined herein); (3) holders of any future Permitted Pari Passu Secured Indebtedness (or their respective trustees, representatives or agents) that are secured by the Collateral shall also appoint the Collateral Agent to act as their collateral agent with respect to the Collateral; and (4) the conditions under which the Collateral Agent shall enforce the rights of the secured parties thereto with respect to the Collateral and the Indebtedness secured thereby as described in “– Enforcement of Security” below.

Prior to the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative, trustee or agent) will accede to the Intercreditor Agreement to include the holders (or their representatives, trustees or agents) of such Permitted Pari Passu Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any amendments or modifications thereto, any accession thereto by any holder of Permitted Pari Passu Secured Indebtedness and any future intercreditor agreement required under the Indenture.

### ***Enforcement of Security***

The Lien (subject to any Permitted Lien and the Intercreditor Agreement) securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Collateral Agent. DB Trustees (Hong Kong) Limited will act as the initial Collateral Agent under the Security Documents. The Collateral Agent, subject to the Intercreditor Agreement, will hold such Liens over the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Creditor Representatives (as defined herein) to exercise remedies under the Security Documents (subject to the terms of the Intercreditor Agreement). The Collateral Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents (as defined herein) under the applicable Security Documents, to follow the instructions provided to it by one or more of the Creditor Representatives under the Indenture, the Security Documents and/or the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Collateral Agent by itself or in accordance with instructions it receives from the Holders under the Indenture.

The Intercreditor Agreement will provide that the Collateral 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 Collateral Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors.



All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, applied as follows:

first, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any expenses (including reasonable expenses of its counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent is entitled to indemnification under the Intercreditor Agreement and the Security Documents;

second, to the extent not reimbursed under the above paragraph, to the Trustee, the Agents, the trustee for, and the agents relating to, the 2012 Notes and other Creditor Representatives, to the extent necessary to reimburse the foregoing persons ratably for any expenses (including reasonable expenses of counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Debt Documents, the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the foregoing persons are entitled to indemnification under the Debt Documents, the Intercreditor Agreement and the Security Documents;

third, ratably to each of the Trustee for the benefit of the Holders and the trustee for the 2012 Notes for the benefit of the holders of the 2012 Notes to satisfy outstanding obligations under the Notes and the Indenture, the 2012 Notes and the indenture for the 2012 Notes and, to the extent applicable, to other Creditor Representatives for the benefit of the holders of any Permitted Pari Passu Secured Indebtedness to satisfy outstanding obligations thereunder (in each case, to the extent not paid pursuant to the paragraphs above), in accordance with the terms of the relevant Debt Documents; and

fourth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

Subject to the Intercreditor Agreement, all payments received by the Trustee pursuant to the Intercreditor Agreement, or otherwise and all amounts held by the Trustee will be applied as follows:

- first, payment to the Trustee, the Agents and any attorney or agent appointed under the Indenture, for any unpaid fees, costs and expenses properly incurred by it;
- second, payment to the Trustee for the benefit of the holders of the Notes, ratably (including the principal, interest and premium thereon); and
- third, any surplus remaining after such payments will be paid to the Company or the Subsidiary Guarantors or to whomever may be lawfully entitled thereto.

The Collateral Agent may refrain from acting in accordance with the instructions of the Holders, the holders for the 2012 Notes and the holders of the Permitted Pari Passu Secured Indebtedness Parties and may decline to expend its own funds, foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral 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 Collateral Agent's Liens on the Collateral. Neither the Trustee, the Collateral Agent nor any of their respective 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, continuation, 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.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind (including reasonable expenses of its counsel) imposed against the Collateral Agent arising out of the Intercreditor Agreement, or the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent.

This section, “– Enforcement of Security,” shall be subject to any amendments to the Security Documents, the Intercreditor Agreement 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 under the captions “– 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, 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 designation by the Company 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, and in accordance with the terms of the Indenture; and
- with respect to the Collateral, at any time after the later of (i) 183 days after repayment in full of all amounts owing by the Company or any Subsidiary Guarantors or JV Subsidiary Guarantors under the 2012 Notes and (ii) the date on

which no outstanding Indebtedness other than the Notes is secured by the Collateral (the “Release Date”); *provided* that, no Default has occurred and is continuing on such date or no Default would have occurred as a result of such release.

**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 date and/or amount of 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 April 5, 2016, the Company may 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 April 5 of each of the years indicated below.

<b>Year</b>	<b>Redemption Price</b>
2016.....	104.68750%
2017 and thereafter .....	102.34375%

At any time prior to April 5, 2016, 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 April 5, 2016, 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 109.375% 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. 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 national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

- (2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, 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 and the 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 and this Offering – 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 the jurisdiction through which payments are made (each, as applicable and 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 is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
    - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
  - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

- (c) any withholding or deduction that is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives; or
  - (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
  - (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); 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, 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, such Surviving Person, 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 or Permitted Subsidiary 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;
- (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by 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 neither the Company nor any Subsidiary Guarantor is 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; *provided* further that, any Preferred Stock issued by a Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;
- (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 that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (p), (q), (r), (s), (v) or (w) 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, (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 (i) entered into in the ordinary course of business and designed solely 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 or (ii) designed to reduce or manage interest expenses;
- (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 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 the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the 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 (i) the aggregate principal amount outstanding of all such Indebtedness permitted by 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), (r), (s) or (w) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (p), (q), (r), (s) or (w) below to the extent the amount of such Contractor Guarantees or Guarantees Incurred 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 or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees 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*, 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 clause (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 maturing in one year or less; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$35 million (or the Dollar Equivalent thereof);
- (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 or Preferred Stock issued 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), (r), (s) or (w) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h) above or (q), (r), (s) or (w) 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 clauses (r), (s) or (w) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) or clauses (r), (s) or (w) 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;
- (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), (q) above or clause (s) or (w) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q) above or clause (s) or (w) 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;
- (s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of any Indebtedness of an Associate by the Company or such 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 (s) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q) or (r) above or clause (w) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q) or (r) above or clause (w) 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;
- (t) Indebtedness Incurred by the Company constituting a Subordinated Shareholder Loan;

- (u) Indebtedness Incurred by a Finance Subsidiary that is guaranteed by the Company to the extent the Company is permitted to incur such Indebtedness under this covenant;
  - (v) 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\$25 million (or the Dollar Equivalent thereof); or
  - (w) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *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 (w) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (w) 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 pursuant to clauses (h), (p), (q), (r) or (s) above (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q), (r) or (s) above 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.
- (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 in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types.
- (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 permitted to be entered into under the Indenture or (ii) any purchase of Capital Stock that is described in clause (16) of the definition of Permitted Investment;

- (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 of its Wholly Owned Restricted Subsidiaries) or make any payment of principal or interest or other payment with respect to a Subordinated Shareholder Loan; or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment referred to in clauses (1) through (4) above:

- (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 the first paragraph of part (1) of the covenant under the caption “– 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 2012 Notes are originally issued and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
  - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the 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 of its Restricted Subsidiaries 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; plus
- (v) US\$30 million (or the Dollar Equivalent thereof).

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) (A) payments made to purchase 49% of the outstanding Capital Stock of Wuxi Sunac Greentown Hubin Real Estate Co., Ltd. (無錫融創綠城湖濱置業有限公司) held by Greentown Real Estate Co., Ltd. (綠城房地產集團有限公司) in an aggregate amount not to exceed RMB49.0 million, (B) payments made to purchase 5% of the outstanding Capital Stock of Yixing Sunac Dongjiu Real Estate Co., Ltd. (宜興融創東沆置業有限公司) held by Rongde Asset Management Co., Ltd. (融德 資產管理有限公司) in an aggregate amount not to exceed RMB40.0 million, (C) payments made to purchase 28.57% of the outstanding Capital Stock of Wuxi Sunac City Construction Co., Ltd. (無錫融創城市建設有限公司) held by United Trust Co., Ltd. (國聯信託股份有限公司) in an aggregate amount not to exceed RMB200.0 million, (D) payments made to purchase 15% of the outstanding Capital Stock of Chongqing Sunac Yatai Shiye Real Estate Development Co., Ltd. (重慶融創亞太實業有限公司) held by Beijing Guoxin Zhongjin Investment Co., Ltd. (北京國信中金投資有限公司) in an aggregate amount not to exceed RMB42.0 million, (E) payments made to purchase 49.56% of the outstanding Capital Stock of Tianjin Sunac Mingxiang Investment Development Co., Ltd. (天津融創名翔投資發展有限公司) held by Daye Trust Co., Ltd. (大業信託有限責任公司) in an aggregate amount not to exceed RMB705.0 million and (F) payment made to purchase 50.0% of the outstanding Capital Stock of Chongqing Sunac Shengfeng Real Estate Co., Ltd. (重慶融創尚峰置業有限公司) held by Xinhua Trust Holding Limited (新華信託股份有限公司) in an aggregate amount not to exceed RMB600.0 million; *provided* that, in each case, the entity of which the Capital Stock was purchased is a Restricted Subsidiary when such payment is made;
- (8) payments made under a Staged Acquisition Agreement to acquire the Capital Stock of a Person *provided* that such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made (such date not to exceed 12 months from the date the Staged Acquisition Agreement was entered into) (the “Deadline Date”); *provided* further that in the event such Person does not become a Restricted Subsidiary on or before the Deadline Date, all payments previously made under this clause (8) shall be aggregated and constitute Restricted Payments made on the Deadline Date and such Restricted Payments must satisfy the other conditions under this “Limitations on Restricted Payments” covenant; or
- (9) the declaration and payment of dividends with respect to the fiscal year ended December 31, 2012 in an amount that does not exceed 20.0% of the profit of the year of the Company in 2012,

*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 clause (1) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the 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 accounting 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) (other than any Restricted Payments set forth in clauses (5) through (9) above), 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 fairness opinion or appraisal required by the Indenture.

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
  - (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
  - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
  - (c) make loans or advances to the Company or any other Restricted Subsidiary;  
or
  - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
  - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;



- (b) existing under or by reason of applicable law, rule, regulation or order;
- (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (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)(o), (2)(p), (2)(q), (2)(r), (2)(s) or (2)(v) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to Indebtedness of the type described under clause (2)(h) or permitted under clause (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s) or (2)(v), 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 shareholders agreement, 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 (or of Subsidiaries of such Restricted Subsidiaries) and if (as determined in good

- faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, 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 the Company to make the required payments on the Notes or the ability of any Subsidiary Guarantor or JV Subsidiary Guarantor to make the required payments on its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be; 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 Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, 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) for the issuance or sale of the 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, if any, 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 to the extent required thereunder; 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 are permitted by clauses (2)(c), (d), (m)(ii), (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 such PRC 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\$5.0 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 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 who are not employees of the Company;
- (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 the caption “– Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (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;
- (6) loans or advances to employees, officers or directors in the ordinary course of business not to exceed US\$5.0 million in the aggregate at any one time outstanding; and
- (7) any sale of apartment units by the Company or a Restricted Subsidiary in the ordinary course of business to employees, officers, directors or their respective family members at a discount from the listed price not greater than that applicable generally to all employees of the Company and its Subsidiaries with respect to those apartment units; *provided* that (x) revenues from all such sales in any fiscal year shall not exceed 2.0% of the revenues for that year as shown in the consolidated financial statements of the Company for that period in accordance with GAAP, and (y) any such discount shall not be in excess of 15.0% to the Fair Market Value of the relevant apartment unit.

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 or between or among the Company and Jointly Controlled Entities or between or among Restricted Subsidiaries and Jointly Controlled Entities or between or among the Company and Associates or between or among Restricted Subsidiaries and Associates; *provided* that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary that owns 5.0% or more of the outstanding Capital

Stock of such Restricted Subsidiary 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 or being a Restricted Subsidiary), or (c) in the case of a transaction with a Jointly Controlled Entity or an Associate, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) that owns 5.0% or more of the outstanding Capital Stock of such Jointly Controlled Entity or Associate 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 a director or officer of such Jointly Controlled Entity or Associate).

#### ***Limitation on Liens***

Prior to the Release Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens); or
- (2) 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.

Upon the occurrence of the release of the Collateral on the Release Date and thereafter, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) incur, assume or permit to exist any Lien on the Capital Stock of a Subsidiary Guarantor or a JV Subsidiary Guarantor (other than a Permitted Lien specified in clause (1) of "Permitted Liens"), unless the Notes are equally and ratably secured by such Lien; or
- (2) 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 Capital Stock described in clause (1) above), 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 may enter into a Sale and Leaseback Transaction if:

- (1) the Company could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the first paragraph of 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 the caption "– 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 applies the proceeds of such transaction in compliance with, the covenant described below under the caption "– 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 the first paragraph of part (1) of the covenant under the caption “– 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 properties or assets (other than current assets that are not land use rights, properties under development or completed properties held for sale) that will be used in the Permitted Businesses (“Replacement Assets”).

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*, 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 Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “– 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 the caption “– Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “– 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 the caption “– 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 the caption “– 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 to the extent required under “– The Subsidiary Guarantees”; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC or a Subsidiary of a JV Subsidiary Guarantor, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged to the extent required under “– Security.”

Any such designation by the Board of Directors shall be notified by the Company to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officers’ Certificate certifying that such designation complied with the foregoing provisions.

#### ***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 an Investment Grade from two of the three 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 summarized under the caption “– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized 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, for 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 semiannual 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; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; 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 or Additional Amounts 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 covenant 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 Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant 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\$10.0 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\$10.0 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 any JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or any 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 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 security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

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, subject to the Intercreditor Agreement, to enforce the performance of any provision of the Notes, the Indenture or the Security Documents. The Trustee or the Collateral Agent 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 written direction of the Holders of at least 25% in aggregate principal amount of outstanding Notes, instruct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and the Indenture and take such further action on behalf of the Holders 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 the Collateral Agent or exercising any trust or power conferred on the Trustee. However, the Trustee or the Collateral Agent may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee or the Collateral Agent in personal liability, or that the Trustee or the Collateral Agent 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 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 with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, 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 first paragraph of the covenant under the caption “– 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)) 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;
- (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 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, 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 with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, 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 first paragraph of the covenant under the caption “– 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)) 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 and JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

#### **No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

#### **Defeasance**

##### *Defeasance and Discharge*

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust and certain rights, powers, trusts, duties and immunities of the Trustee, and the Company’s obligations in connection therewith) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, 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 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 in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) 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 Waiver**

##### ***Amendments Without Consent of Holders***

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document; *provided* that such actions pursuant to this clause (1) do not materially and adversely affect the interests 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 Collateral Agent to enter into any amendments to the Intercreditor Agreement, the Security Documents or the Indenture, or any accession to the Intercreditor Agreement by the holders of Permitted Pari Passu Secured Indebtedness (or their representative) 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) to conform the text of the Indenture, the Notes or the 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 of the Indenture, the Notes or the Subsidiary Guarantees; or
- (12) make any other change that does not materially and adversely affect the rights of any Holder.

***Amendments With Consent of Holders***

The Indenture, the Intercreditor Agreement or any Security Document may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes and the Trustee may amend or waive future compliance by the Company with any provision thereof; *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 federal securities laws.

#### **Concerning the Collateral Agent, Trustee and the Paying Agent**

DB Trustees (Hong Kong) Limited is to be appointed as Trustee under the Indenture and as Collateral Agent with regard to the Collateral under the Security Documents and the Intercreditor Agreement. Deutsche Bank Luxembourg S.A. is to be appointed as note registrar (the "Note Registrar") and Deutsche Bank AG, Hong Kong Branch is to be appointed as paying agent (the "Paying Agent") with respect to the notes. The Note Registrar, the Collateral Agent and the Paying Agent are collectively the "Agents." Except during the continuance of a Default, the Trustee, Note Registrar, Paying Agent and Collateral Agent, as the case may be, undertake to perform such duties and only such duties as are specifically set forth in the Indenture, the Notes, the Security Documents or the Intercreditor Agreement, and no implied covenant or obligation shall be read into the Indenture, the Notes (as the case may be) against the Trustee. 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 or the Notes or the Intercreditor Agreement as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

DB Trustees (Hong Kong) Limited will initially act as Collateral Agent under the Security Documents, the Intercreditor Agreement and the Indenture in respect of the Security over the Collateral. The Collateral 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, the Security Documents and the Intercreditor Agreement. The Trustee and the Collateral Agent will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents and the Intercreditor Agreement for the benefit of the Holders unless such Holders have offered to the Trustee and the Collateral Agent indemnity or security reasonably satisfactory to the Trustee and the Collateral Agent against any loss, liability or expense.

The Indenture will contain certain limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors and the 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 claim, as security or otherwise. The Trustee will be permitted to engage in other transactions with the Company and its Affiliates; *provided*, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

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.

Under certain circumstances, the Trustee and the Collateral Agent may have obligations under the Security Documents and the Intercreditor Agreement that are in conflict with the interests of the Holders, the holders for the 2012 Notes and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness, if any. Neither the Trustee nor the Collateral

Agent will be under any obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents, and the Intercreditor Agreement for the benefit of the Holders, the holders for the 2012 Notes or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness, unless such Holders, the holders of the 2012 Notes and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness have provided to the Trustee and/or the Collateral Agent (as applicable) indemnity and/or security satisfactory to the Trustee and/or the Collateral Agent (as applicable) against any loss, liability or expense. Furthermore, each Holder, by accepting the notes will agree, for the benefit of the Trustee, 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 the Intercreditor Agreement and has not relied on and will not at any time rely on the Trustee in respect of such risks. None of the Trustee, the Paying Agent and the Collateral Agent shall be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. None of the Trustee, the Paying Agent and the Collateral Agent shall be liable to any Holder or any other person for any action taken by the Holders, the Trustee, the Paying Agent or the Collateral Agent in accordance with the instructions of the Holders. Each of the Trustee, the Paying Agent and the Collateral Agent shall be entitled to rely on any written direction of the Holders which has been duly given by the Holders in accordance with the Indenture. None of the Trustee, the Paying Agent and the Collateral Agent shall be deemed to have knowledge of any event unless it has been actually notified of such event or have actual knowledge thereof. The Trustee and the Collateral Agent are entitled to rely on all instructions, notices, declarations, calculations and certifications received pursuant to the Indenture, the Intercreditor Agreement and the Security Documents without investigating the accuracy, authenticity and validity of these instructions, notices, declarations, calculations and certifications. Pursuant to the terms of the Indenture, the Notes or the Security Documents (as the case may be), the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will reimburse the Trustee and the Collateral Agent for all reasonable expenses.

#### ***Book-Entry; Delivery and Form***

The Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

#### ***Global Note***

Ownership of beneficial interests in the Global Note (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.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note 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 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 Note***

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the principal paying agent in U.S. dollars. The principal paying agent will, in turn, make such payments to the common depository

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 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 Note***

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the U.S. dollar 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 U.S. dollar 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 the 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 the 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 Note for individual definitive notes in certificated form, and to distribute such individual definitive 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 Note 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 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.

#### ***Individual Definitive Notes***

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository 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 individual definitive notes in registered form in exchange for the Global Note. 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 Note for individual definitive notes and cause the requested individual definitive 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 individual definitive 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 individual definitive notes. In all cases, individual definitive 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.

Individual definitive 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 the United States mails (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor, the Note Registrar, the Paying Agent or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

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; and (2) designate and appoint National Corporate Research, Ltd. at 10 East 40th Street, 10th Floor, New York, NY 10016 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 and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The relevant pledge documents pursuant to “– Security” will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor whose shares are pledged 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.

“2012 Notes” means the US\$400,000,000 12.5% senior notes due 2017 issued by the Company on October 16, 2012.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield in 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 April 5, 2016 (such redemption price being set forth in the table appearing in “Optional Redemption”), plus (y) all required remaining scheduled interest payments due on such Note through April 5, 2016 (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 under the caption “– Consolidation, Merger and Sale of Assets”; and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange U.S. dollars or Hong Kong dollars into Renminbi or vice versa; *provided*, however, that the total deposits in such pledged bank accounts shall not at any time be less than 100% or exceed an amount equal to 110% of the aggregate outstanding principal amount of such Indebtedness (or the Dollar Equivalent thereof).

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business 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 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 or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (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 by 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 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* that 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 April 5, 2016 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 April 5, 2016.

“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 (or 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 Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary 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 and its Restricted Subsidiaries (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“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) including, without limitation, Land Appreciation Tax and Enterprise Income Tax, 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,

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, or secured by a Lien on any asset of, 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 and 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.

“Creditor Representatives” means, collectively, the Trustee, the trustee for the 2012 Notes and the representatives or the holders of any Permitted Pari Passu Secured Indebtedness (or the representative or agent thereof, if any).

“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 Indenture, the indenture for the 2012 Notes 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) result 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.

“Existing Offshore Non-Guarantor Subsidiaries” means, as of the date of the Original Issue Date, Ease Success Holdings Limited and Lead Sunny Investments Limited, unless any of the foregoing has subsequently executed a Subsidiary Guarantee or a JV Subsidiary Guarantee or has been designated as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

“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 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.

“Finance Subsidiary” means any Person who is Wholly Owned by the Company and who does not engage in any business activity except (1) the incurrence of Indebtedness the entire proceeds of which are on-lent to the Company, (2) the Guarantee of the Indebtedness of the Company permitted to be incurred under the Indenture, (3) activity related to the establishment or maintenance of that Person’s corporate existence, and (4) any other activity in connection with or incidental to activities referred to in clauses (1) through (3).

“Fitch” means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly-owned subsidiary of Fimalac, S.A. and Hearst Corporation, and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters period 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 “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter 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 Four Quarter 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 Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“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 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 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 obligation, 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 or Entrusted Loans; *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 as borrowings 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 paragraph (2)(f) under the “Limitation on Indebtedness and Preferred Stock” covenant, and (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such paragraph.

“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.

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 Company’s proportional interest in the Fair Market Value of 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 a rating of “AAA,” “AA,” “A,” “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch 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, Moody’s or Fitch or two or three of them, as the case may be.

“Investment Property” means any property that is owned and held by any Restricted Subsidiary incorporated under the laws of the PRC for long-term rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income

“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.

“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.

“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).

“Measurement Date” means October 16, 2012.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
  - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
  - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
  - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant 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.

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. 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.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, designated as such to the Trustee by the Company, the Subsidiary Guarantors and/or the JV Subsidiary Guarantors, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; *provided* that, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“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 is permitted to Incur such Indebtedness under the covenant under the caption “– 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 Event 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, including, without limitation, real estate acquisition, development, leasing and management, hotel acquisition, development, operation and management, and the acquisition, development, management and operation of leisure and other ancillary facilities, in each case associated with real estate projects acquired, developed or managed by the Company or any Restricted Subsidiary.

“Permitted Holders” means any or all of the following:

- (1) Mr. SUN Hongbin;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) 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% by 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) 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 solely 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 made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “– 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; and
- (16) any Investment by the Company or any Restricted Subsidiary in any corporation, association or other business entity primarily engaged in a Permitted Business, of which at least 20% of the Capital Stock and the Voting Stock is (or upon the making of such Investment, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (such corporation, association or other business entity, an “Associate”); *provided* that:
  - (a) the aggregate of all Investments made after the Measurement Date under this clause (16), less the aggregate amount of all Receipts received after the Measurement Date in connection with any Investment in any Associate made after the Measurement Date under this clause (16), shall not exceed 30% of Total Assets;
  - (b) the Company must be able to Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (1) of the “– Limitation on Indebtedness and Preferred Stock” covenant;
  - (c) no Default has occurred and is continuing or would occur as a result of such Investment;

- (d) with respect to an Associate in which the Company or any Restricted Subsidiary has made an Investment pursuant to this clause (16), (x) if the Company or such Restricted Subsidiary no longer owns at least 20% of the Capital Stock, such Investment less the amount of any Receipt will be deemed not to have been made in accordance with this clause (16) and such Investment must at the time such Associate is no longer treated as an Associate satisfy the other requirements of the covenant described under “– Limitation on Restricted Payments” (which may include meeting the requirements of one of the other clauses set forth under this “Permitted Investment” definition) or (y) if such Associate has become a Restricted Subsidiary in compliance with the terms of the other covenants, all Investments made by the Company or any Restricted Subsidiary in such Associate since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment” definition; and
- (e) none of the other holders of Capital Stock of such Associate is a Person described in clauses (a) or (b) of the first paragraph of the covenant described under “– Limitation on Transactions with Shareholders and Affiliates” covenant (other than by reason of such holder being an officer or director of the Company or a Restricted Subsidiary or being the Company or a Restricted Subsidiary).

For the avoidance of doubt, the value of each Investment made pursuant to clause (16) of this definition shall be valued at the time such Investment is made.

“Permitted Liens” means any or all of the following:

- (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 and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption “– 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 (e) of the second paragraph of the covenant described under the caption entitled “– Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under “– Security – Permitted Pari Passu Secured Indebtedness”;
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption “– Limitation on Indebtedness and Preferred Stock”;
- (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; *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 under the caption entitled “– 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 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 securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under “– Limitation on Indebtedness and Preferred Stock”;
- (23) Liens incurred or deposits made to secure Entrusted Loans;
- (24) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness which is permitted under clause (2)(o) of the covenant described under “– Limitation on Indebtedness and Preferred Stock”;
- (25) 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 permitted under clause (2)(p) of the covenant described under “– Limitation on Indebtedness and Preferred Stock”;
- (26) Liens incurred on one or more bank accounts to secure Bank Deposit Secured Indebtedness permitted under clause (2)(q) of the covenant described under “– Limitation on Indebtedness and Preferred Stock” covenant;
- (27) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary permitted under clause (2)(r) 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)(v) 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; *provided further* that, upon the occurrence of the release of the Collateral on the Release Date and thereafter, the aggregate outstanding principal amount of Indebtedness of the Company or any Restricted Subsidiary secured by any Lien over the Capital Stock of a Non-Guarantor Subsidiary incorporated outside of the PRC shall at no time exceed 20% of the Total Assets.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under “– Security – Permitted Pari Passu Secured Indebtedness.”

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole; *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 any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f) and (g) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of the 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.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau 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.

“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.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term 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, (2) Moody’s and (3) Fitch; *provided* that if S&P, Moody’s, Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, one or more nationally recognized statistical rating organizations (as defined in Rule 436 under the Securities Act), as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s, Fitch, two of any of the three or all three of them, 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); (3) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody’s or Fitch 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 and “+” and “-” for Fitch; 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 all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Receipt” means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (16) of the definition of “Permitted Investment” since the Measurement Date resulting from (A) receipt of payments in

cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (16) after the Measurement Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Measurement Date under such clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment” definition).

“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. on the third Business Day preceding such redemption date.

“Release Date” has the meaning set forth under “– Security – Release of Security.”

“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.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary. “S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Secured Creditors” means, collectively, the Collateral Agent and the creditors and the agents under the Debt Documents.

“Secured Indebtedness” means any Indebtedness of the Company or a Restricted Subsidiary secured by a Lien.

“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, the Collateral Agent 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.

“Shanghai Sunac Greentown” means (x) a Subsidiary of the Company incorporated under the laws of the British Virgin Islands, (i) 50% of the outstanding Capital Stock of which is contemplated to be held, directly or indirectly, by Greentown China Holdings Limited and (ii) which is contemplated to be the holding company, directly or indirectly, of the real estate development project located in Huangpo District, Shanghai, PRC and (y) its Subsidiaries, if any.

“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 more than 50% 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 which 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.

“Subordinated Shareholder Loan” means unsecured Indebtedness Incurred by the Company from but only for long as such Indebtedness is owed to, any Permitted Holder (other than the Company or any Restricted Subsidiary) as to which (a) the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such Indebtedness is, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued or remains outstanding and an agreement (the “Subordination Agreement”) to be entered into among the holders of such Indebtedness (or trustees or agents therefor) and the Trustee, is expressly made subordinate to the prior payment in full of the Notes to at least the following extent: (i) no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be permitted for so long as any Default exists; (ii) such Indebtedness may not (x) provide for payments of principal of such Indebtedness at the Stated Maturity thereof or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by the Company or any Restricted Subsidiary (including any redemption, retirement or repurchase which is contingent upon events or circumstances), in each case prior to the final Stated Maturity of the Notes or (y) permit redemption or other retirement (including pursuant to an offer to purchase made by the Company or any Restricted Subsidiary) of such other Indebtedness at the option of the holder thereof prior to the final Stated Maturity of the Notes, except to the extent such redemption or other retirement is permitted under the covenant described under “– Certain Covenants – Limitation on Restricted Payments” on the date of such redemption or other retirement, (iii) the Subordination Agreement will prohibit the holders of such Indebtedness (or trustees or agents therefor) from pursuing remedies against the Company or any of the Restricted Subsidiaries or their respective assets or properties in an insolvency proceeding or in respect of a default under such Indebtedness and (iv) the Subordination Agreement will provide in the event that any payment is received by the holders of such Indebtedness (or any trustee or agent therefor) in respect of such Indebtedness where such payment is prohibited by one or more of the subordination provisions described in this definition, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Trustee on behalf of the Holders of the Notes, and (b) the terms thereof provide that interest (and premium, if any) thereon is paid solely in the form of (i) pay-in-kind, or PIK, payments constituting additional

Subordinated Shareholder Loans or (ii) cash (to the extent provided for when such Subordinated Shareholder Loan was originally Incurred) if such cash interest (or premium, if any) payment would be permitted to be made under the covenant described under “– Certain Covenants – Limitation on Restricted Payments” on the date of such payment.

“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 voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case 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 the GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of “Designation of Restricted and Unrestricted Subsidiaries” covenant.

“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 will 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 will 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 “A-1” (or higher) according to S&P or Fitch;
- (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 Fitch;
- (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) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with Standard Chartered Bank HK Ltd, Bank of Communications Co., Ltd. Hong Kong Branch, Bank of China (Hong Kong) Ltd., The Hongkong and Shanghai Banking Corporation, China Development Bank, Industrial and Commercial Bank of China Limited, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, China Merchants Bank, China Minsheng Banking Corp Ltd, China Everbright Bank, China CITIC Bank, Shanghai Pu Dong Development Bank, Shenzhen Development Bank, Hua Xia Bank Co., Ltd, Industrial Bank Co., Ltd, Bank of Tianjin, China Bohai Bank, Bank of Beijing, Tianjin Rural Cooperative Bank, Bank of East Asia, China Ping An Trust & Investment Co., Sheng Jing Bank, Bank of Dalian, China Zheshang Bank, Bank of Shanghai, Agricultural Development Bank of China, Binhai Bank, Harbin Bank, Bank of Jinzhou, Guangdong Development Bank, Wuxi Rural Commercial Bank, Rural Commercial Bank, SDIC Trust Co., Ltd, Bank of Chongqing, and Bank of Jiangsu, (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 described in clause (i) of this paragraph 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 thereafter.

“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:

- (1) 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;
- (2) only with respect to clause (2)(w) of “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

- (3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).

“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, including but not limited to a bank, insurance company, securities management company, trust company, fund management company and asset management company, 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.

“Trustee” means DB Trustees (Hong Kong) Limited until a successor replaces it and, thereafter, means the successor.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the holder thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95.0% or more of the economic benefits distributable by such Subsidiary.



## TAXATION

*The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC 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 Taxation**

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 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, premium (if any) and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

We have been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with our Company that (i) 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 (ii) 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 March 11, 2008.

### **British Virgin Islands Taxation**

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) pursuant to the Subsidiary Guarantees or JV Subsidiary Guarantees (if any).

## **Hong Kong Taxation**

### ***Withholding Tax***

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or any other payment or interest on or in respect of the Notes.

### ***Profits Tax***

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, exchange or redemption of the Notes where such sale, disposal, exchange or redemption is or forms part of a trade, profession or business carried on in Hong Kong. Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and the income arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such payments are in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

### ***Stamp Duty***

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong, as is expected to be the case).

## **PRC Taxation**

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes to non-resident holders is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

### ***Taxation on Interest and Capital Gains***

Under the PRC Corporate Income Tax Law and the related regulations, if we are treated as a PRC “resident enterprise,” PRC income tax at a rate of 10% (or a lower treaty rate, if any) would be required to be withheld from interest payments to holders that are “non-resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, if such interest is treated as income from sources within the PRC. The PRC Corporate Income Tax Law also imposes a withholding tax at the rate of 20% (or a lower treaty rate, if any) on interest from PRC sourced paid to non-resident individual holders. In addition, any gain realized on the transfer of the Notes by such holders would be subject to PRC income tax at the rate of 10% for non-resident enterprise holders or 20% for non-resident individual holders (or a lower treaty rate, if any) if such gain is regarded as income derived from sources within the PRC. We currently take the position that we are not a PRC resident enterprise. However, we have been advised by our PRC legal advisor, Jincheng Tongda & Neal Law Firm, that there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the PRC Corporate Income Tax Law. If we are treated as a PRC “resident enterprise,” the interest we pay in respect of the Notes, and the gain any non-resident holder may realize from the transfer of the Notes, may be treated as income derived from sources within the PRC and be subject to PRC tax, which may materially and adversely affect the value of investment in the Notes. See “Risk Factors – Risk Relating to Our Group Structure – We may be deemed a PRC resident enterprise under the PRC Corporate Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Notes and require holders of the Notes to pay taxes on gains realized from the sale of the Notes.”

### ***Stamp Duty***

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, as is expected to be the case) of a Note.

## PLAN OF DISTRIBUTION

The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Citigroup Global Markets Limited, ICBC International Capital Limited, Industrial and Commercial Bank of China (Asia) Limited and Morgan Stanley & Co. International plc are acting as joint bookrunners of the offering, and The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Citigroup Global Markets Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited and Morgan Stanley & Co. International plc are acting as joint lead managers of the offering (the “Joint Lead Managers”) and as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite the Initial Purchaser’s name.

<b>Initial Purchaser</b>	<b>Principal Amount of Notes</b>
The Hongkong and Shanghai Banking Corporation Limited .....	US\$160,000,000
BOCI Asia Limited .....	US\$ 90,000,000
Citigroup Global Markets Limited.....	US\$100,000,000
ICBC International Securities Limited, together with Industrial and Commercial Bank of China (Asia) Limited .....	US\$ 90,000,000
Morgan Stanley & Co. International plc .....	US\$ 60,000,000
Total .....	US\$500,000,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum outside the United States in reliance on Regulation S. See “Transfer Restrictions.” The price at which the Notes are offered may be changed at any time without notice. We have agreed to pay certain private banks a rebate based on the principal amount of the Notes purchased by private bank clients.

We have agreed that, for a period until 30 days after the date of closing (which is expected to be the fourth business day following the date of this offering memorandum), we will not, without the prior written consent of the Joint Lead Managers, offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by us that are substantially similar to the Notes. The Joint Lead Managers in their sole discretion may consent to the offering and sale of such 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 of the Notes on 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.

The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Citigroup Global Markets Limited, ICBC International Securities Limited and Morgan Stanley & Co. International plc (or their respective 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 The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Citigroup Global Markets Limited, ICBC International Securities Limited and 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 we 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 The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Citigroup Global Markets Limited, ICBC International Securities Limited and 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 fourth business day following the date of the pricing of the Notes. Accordingly, 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+4, 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 and their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory, commercial banking and investment banking services, for us and our affiliates in the ordinary course of business. 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.

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 Guarantees (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 the Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

### ***European Economic Area***

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), an offer of the Notes may not be made to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchaser for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided* that no such offer of Notes shall require us or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above paragraph, the expression “an offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### ***United Kingdom***

No invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by the Initial Purchasers in connection with the issue or sale of the Notes may be communicated or caused to be communicated except in circumstances in which section 21(1) of the FSMA does not apply to the Initial Purchasers. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the Initial Purchasers in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***Hong Kong***

This offering memorandum has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this offering memorandum may not be issued, circulated or distributed in Hong Kong. A copy of this offering memorandum may, however, be issued, to a limited number of prospective applicants for the Notes in Hong Kong in a manner which does not constitute an offer of the Notes to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). No advertisement, invitation or

document relating to the Notes may be issued or may be in the possession of any person other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder.

### *Japan*

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

### *Singapore*

The Initial Purchasers have acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, the Initial Purchasers have represented, warranted and agreed that they have not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will they circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

#### *Note:*

This offering memorandum has not been registered as a prospectus with 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 SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) 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.

***Cayman Islands***

No Notes will be offered or sold to the public in the Cayman Islands.

***British Virgin Islands***

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.



## TRANSFER RESTRICTIONS

*Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.*

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) (collectively, the “Securities”), 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 Securities have not been registered under the Securities Act or any other applicable securities laws;
  - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
  - the Securities are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
  - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities 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 has made any representation to you with respect to us or the offering of the Securities, 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 Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities 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 Securities in violation of the Securities Act.
5. You also acknowledge that each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE

ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. 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 Securities is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Securities 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 “B+” by Standard & Poor’s Ratings Services, “B1” by Moody’s Investors Service and “BB-” by Fitch Ratings Ltd. The ratings reflect the rating agencies’ assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a long-term corporate credit rating of BB- with a stable outlook by Standard & Poor’s Ratings Services, a corporate family rating of Ba3 with a stable outlook by Moody’s Investors Service and a long-term foreign currency issuer default rating of BB- with a stable outlook by Fitch Ratings Ltd. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

## **LEGAL MATTERS**

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Jincheng Tongda & Neal Law Firm 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 Commerce & Finance Law Offices as to matters of PRC law.

## **INDEPENDENT AUDITOR**

Our audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports included 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 have been authorized by a resolution of our board of directors dated March 26, 2013.

### Documents Available

For so long as any of the Notes are 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 Agent.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the past two fiscal years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the Paying Agent.

### 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:

	<u>ISIN</u>	<u>Common Code</u>
Regulation S Notes .....	XS0909370651	090937065

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 of the Notes on the SGX-ST. 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 Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any). 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 individual definitive Notes. In addition, in the event that a Global Note is exchanged for individual definitive Notes, an announcement of such exchange will 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 individual definitive Notes, including details of the paying agent in Singapore.

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- (1) Our audited consolidated financial statements for the year ended December 31, 2012 set forth herein have been reproduced from our standalone consolidated financial statements and page references are references to pages set forth in such standalone consolidated financial statements. These audited consolidated financial statements have not been prepared for the inclusion in this offering memorandum.
- (2) Our audited consolidated financial statements for the year ended December 31, 2011 set forth herein have been reproduced from our annual report for the year ended December 31, 2011 and page references are references to pages set forth in such report. These audited consolidated financial statements have not been prepared for the inclusion in this offering memorandum.
- (3) The accountant's reports from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth herein have been included in our circular dated October 30, 2012 in connection with the formation of joint venture with and acquisition of certain project companies from Greentown Real Estate. References to page number refer to the original page number of such circular. The accountant's reports have not been prepared for the inclusion in this offering memorandum.

# Independent Auditor's Report



羅兵咸永道

To the shareholders of Sunac China Holdings Limited  
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 3 to 88, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 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 and to report our opinion 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 judgment, 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.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

# Independent Auditor's Report



羅兵咸永道

## 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 2012, 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers  
Certified Public Accountants

Hong Kong, 25 March 2013



## Consolidated Balance Sheet

As at 31 December 2012

	Note	As at 31 December	
		2012 RMB'000	2011 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	48,947	28,157
Investment properties	8	570,500	551,500
Intangible assets	9	308,500	313,841
Investments in jointly controlled entities	10	1,081,184	97
Investments in associates	11	3,123,480	979,753
Prepayments for property development projects		85,000	–
Deferred income tax assets	12	885,135	424,924
Available-for-sale financial assets	13	–	10,212
		<b>6,102,746</b>	<b>2,308,484</b>
<b>Current assets</b>			
Properties under development	14	37,697,620	19,999,293
Completed properties held for sale	15	8,703,708	5,651,306
Trade and other receivables	16	415,920	451,373
Amounts due from jointly controlled entities	44(c)	1,289,920	441,000
Amounts due from associates	44(c)	1,772,488	–
Prepayments	17	2,689,111	893,995
Restricted cash	18	3,868,713	1,103,719
Cash and cash equivalents	19	8,394,026	2,763,386
		<b>64,831,506</b>	<b>31,304,072</b>
<b>Total assets</b>		<b>70,934,252</b>	<b>33,612,556</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Ordinary shares	20	260,341	259,112
Reserves	22		
– Proposed final dividend	47	260,730	235,617
– Others		8,967,941	6,556,258
		<b>9,489,012</b>	<b>7,050,987</b>
Non-controlling interests		2,505,164	354,728
<b>Total equity</b>		<b>11,994,176</b>	<b>7,405,715</b>

## Consolidated Balance Sheet

As at 31 December 2012

	Note	As at 31 December	
		2012 RMB'000	2011 RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	26	9,942,480	9,320,700
Long-term payable	23	166,745	–
Deferred income tax liabilities	12	4,536,843	2,258,287
		<b>14,646,068</b>	<b>11,578,987</b>
<b>Current liabilities</b>			
Trade and other payables	24	7,115,809	3,810,458
Advanced proceeds from customers		15,145,978	5,839,974
Amounts due to jointly controlled entities	44(c)	428,925	–
Amounts due to associates	44(c)	1,184,417	66,150
Amounts due to non-controlling interests	25	3,540,126	–
Current income tax liabilities	27	5,096,206	2,657,372
Borrowings	26	11,782,547	2,253,900
		<b>44,294,008</b>	<b>14,627,854</b>
<b>Total liabilities</b>		<b>58,940,076</b>	<b>26,206,841</b>
<b>Total equity and liabilities</b>		<b>70,934,252</b>	<b>33,612,556</b>
<b>Net current assets</b>		<b>20,537,498</b>	<b>16,676,218</b>
<b>Total assets less current liabilities</b>		<b>26,640,244</b>	<b>18,984,702</b>

The notes on pages 12 to 88 are an integral part of these consolidated financial statements.

The financial statements on pages 3 to 88 were approved by the Board of Directors on 25 March 2013 and were signed on its behalf.

**Sun Hongbin**  
Director

**Wang Mengde**  
Director

## Balance Sheet

As at 31 December 2012

	Note	As at 31 December	
		2012 RMB'000	2011 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	45	5,146,561	3,440,401
<b>Current assets</b>			
Amounts due from subsidiaries		156	64
Other receivables	16	9,491	1,195
Cash and cash equivalents	19	815,872	17,897
		825,519	19,156
<b>Total assets</b>		<b>5,972,080</b>	<b>3,459,557</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Ordinary shares	20	260,341	259,112
Reserves	22		
– Proposed final dividend	47	260,730	235,617
– Others		2,896,713	2,941,982
<b>Total equity</b>		<b>3,417,784</b>	<b>3,436,711</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	26	2,459,390	–
<b>Current liabilities</b>			
Other payables	24	83,421	11,170
Amounts due to subsidiaries		11,485	11,676
		94,906	22,846
<b>Total liabilities</b>		<b>2,554,296</b>	<b>22,846</b>

## Balance Sheet

As at 31 December 2012

	Note	As at 31 December	
		2012 RMB'000	2011 RMB'000
<b>Total equity and liabilities</b>		<b>5,972,080</b>	<b>3,459,557</b>
<b>Net current assets/(liabilities)</b>		<b>730,613</b>	<b>(3,690)</b>
<b>Total assets less current liabilities</b>		<b>5,877,174</b>	<b>3,436,711</b>

The notes on pages 12 to 88 are an integral part of these consolidated financial statements.

The financial statements on pages 3 to 88 were approved by the Board of Directors on 25 March 2013 and were signed on its behalf.

**Sun Hongbin**  
*Director*

**Wang Mengde**  
*Director*

## Consolidated Income Statement

For the year ended 31 December 2012

	Note	Year ended 31 December	
		2012 RMB'000	2011 RMB'000
Revenue	28	20,842,592	10,604,047
Cost of sales	29	(15,460,142)	(7,037,574)
<b>Gross profit</b>		<b>5,382,450</b>	<b>3,566,473</b>
Gains from business combination	43	154,916	835,430
Selling and marketing costs	29	(529,959)	(314,090)
Administrative expenses	29	(354,540)	(301,079)
Other gains/(losses) – net	30	20,467	(75,900)
Other income	32	15,849	18,316
Other expenses	33	(1,894)	(7,540)
<b>Operating profit</b>		<b>4,687,289</b>	<b>3,721,610</b>
Finance income	36	29,168	18,687
Finance costs	36	(113,101)	(202,030)
Finance costs – net	36	(83,933)	(183,343)
Share of (loss)/profit of jointly controlled entities	10	(30,438)	97
Share of loss of associates	11	(8,347)	(10,072)
Gains from acquisition of associates	11(b)&(c)	119,957	–
<b>Profit before income tax</b>		<b>4,684,528</b>	<b>3,528,292</b>
Income tax expenses	37	(2,069,788)	(1,145,220)
<b>Profit for the year</b>		<b>2,614,740</b>	<b>2,383,072</b>
<b>Profit attributable to:</b>			
– Owners of the Company		2,607,300	2,356,168
– Non-controlling interests		7,440	26,904
		<b>2,614,740</b>	<b>2,383,072</b>
<b>Earnings per share attributable to owners of the Company (expressed in RMB per share):</b>			
Basic earnings per share	38	0.868	0.785
Diluted earnings per share	38	0.859	0.784

The notes on pages 12 to 88 are an integral part of these consolidated financial statements.

<b>Dividends</b>	47		
– Proposed final dividends		260,730	235,617
– Payment of dividends		236,438	–

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	Year ended 31 December	
		2012 RMB'000	2011 RMB'000
<b>Profit for the year</b>		<b>2,614,740</b>	<b>2,383,072</b>
<b>Other comprehensive income</b>			
Change in value of available-for-sale financial assets	13	–	212
Redemption of available-for-sale financial assets	13	(212)	–
<b>Total comprehensive income for the year</b>		<b>2,614,528</b>	<b>2,383,284</b>
<b>Attributable to:</b>			
– Owners of the Company		2,607,088	2,356,380
– Non-controlling interests		7,440	26,904
<b>Total comprehensive income for the year</b>		<b>2,614,528</b>	<b>2,383,284</b>

The notes on pages 12 to 88 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company			Non-controlling interests	Total equity
	Ordinary shares	Reserves	Total		
	RMB'000	RMB'000	RMB'000		
At 1 January 2011	259,112	4,404,849	4,663,961	–	4,663,961
<b>Comprehensive income</b>					
Profit for the year	–	2,356,168	2,356,168	26,904	2,383,072
<b>Other comprehensive income</b>					
Change in fair value of available-for-sale financial assets	–	212	212	–	212
	–	2,356,380	2,356,380	26,904	2,383,284
<b>Contributions by and distributions to owners of the Company recognised directly in equity</b>					
Transactions with non-controlling interests	–	(8,044)	(8,044)	208,044	200,000
Acquisition of subsidiaries	–	–	–	119,780	119,780
Employees share option scheme:					
– Value of employee services	–	38,690	38,690	–	38,690
	–	30,646	30,646	327,824	358,470
At 31 December 2011	259,112	6,791,875	7,050,987	354,728	7,405,715

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company			Non-controlling interests	Total equity
	Ordinary shares	Reserves	Total		
	RMB'000	RMB'000	RMB'000		
<b>Comprehensive income</b>					
Profit for the year	–	2,607,300	2,607,300	7,440	2,614,740
<b>Other comprehensive income</b>					
– Redemption of available-for-sale financial assets	–	(212)	(212)	–	(212)
	–	2,607,088	2,607,088	7,440	2,614,528
<b>Contributions by and distributions to owners of the Company recognised directly in equity</b>					
Transactions with non-controlling interests (Note 42)	–	(22,335)	(22,335)	373,800	351,465
Acquisition of additional interests in subsidiaries (Note 42)	–	34,237	34,237	–	34,237
Acquisition of subsidiaries	–	–	–	1,769,196	1,769,196
<b>Employees share option scheme:</b>					
– Value of employee services	–	31,266	31,266	–	31,266
– Proceeds from shares issued	1,229	22,978	24,207	–	24,207
Dividends relating to 2011	–	(236,438)	(236,438)	–	(236,438)
	1,229	(170,292)	(169,063)	2,142,996	1,973,933
<b>At 31 December 2012</b>	260,341	9,228,671	9,489,012	2,505,164	11,994,176

The notes on pages 12 to 88 are an integral part of these consolidated financial statements.



## Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	Year ended 31 December	
		2012 RMB'000	2011 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	39	11,197,190	(1,429,217)
PRC income tax paid		(1,687,978)	(1,245,726)
<b>Net cash generated from/(used in) operating activities</b>		<b>9,509,212</b>	<b>(2,674,943)</b>
<b>Cash flows from investing activities</b>			
Cash paid for business combination, net	43	(2,473,246)	(378,139)
Investments in jointly controlled entities	10	(897,700)	–
Prepayments for investment in new related party		(5,000)	–
Investments in associates	11	(1,794,273)	(798,911)
Collection of funds from related parties		–	161,540
Purchases of property, plant and equipment (“PPE”)	7	(22,077)	(13,134)
Prepayments for acquisition of equity interests		(80,000)	–
Purchase of available-for-sale financial assets	13	(5,000)	(10,000)
Purchase of intangible assets		–	(870)
Proceeds from disposals of PPE	39	2,535	1,435
Payment for new land use right acquisition		–	(441,000)
Proceeds from redemption of available-for-sale financial assets		15,156	–
<b>Net cash used in investing activities</b>		<b>(5,259,605)</b>	<b>(1,479,079)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		13,936,443	6,198,000
Proceeds from bonds offering, net		2,459,390	–
Proceeds from issuance of ordinary shares		23,512	–
Equity investments from non-controlling interests		1,341,309	200,000
Repayments of borrowings		(12,639,055)	(3,019,843)
Payments of interests and other finance costs		(1,817,289)	(202,030)
Guarantee deposits for bank borrowings	18	(1,685,857)	(216,671)
Dividend paid		(236,438)	–
<b>Net cash generated from financing activities</b>		<b>1,382,015</b>	<b>2,959,456</b>
<b>Net increase/(decrease) in cash and equivalents</b>		<b>5,631,622</b>	<b>(1,194,566)</b>
Cash and cash equivalents at beginning of year		2,763,386	3,957,952
Effect of exchange difference		(982)	–
<b>Cash and cash equivalents at end of year</b>	19	<b>8,394,026</b>	<b>2,763,386</b>

The notes on pages 12 to 88 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 1 General information

Sunac China Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in property development, property investment and property management services in the People’s Republic of China (the “PRC”). The Company is an investment holding company.

The Company was incorporated in the Cayman Islands on 27 April 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its registered office is Landmark Square, 3rd floor, 64 Earth Close, P. O. box 30592, Grand Cayman KY1-1203, Cayman Islands.

The Company’s ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) on 7 October 2010.

These financial statements are presented in Renminbi (“RMB”) unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 25 March 2013.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

#### 2.1.1 Going concern

The Group meets its day-to-day working capital requirements through its pre-sale proceeds, bank facilities and other borrowings from third parties. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group’s property products; and (b) the availability of bank finance for the foreseeable future. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group had adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group’s borrowings is given in Note 26.

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

Amendment to HKAS 12, “Income tax”, on deferred tax. Currently HKAS 12, “Income tax”, requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in HKAS 40 “Investment Property”. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, “Income taxes- recovery of revalued non-depreciable assets”, would no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is accordingly withdrawn.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendment to HKAS 1, “Financial statement presentation” regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in “other comprehensive income” (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 13, “Fair value measurement”, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements, which are largely aligned between HKFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS or US GAAP.

HKAS 19, “Employee benefits”, was amended in June 2011. The impact on the group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.2 Changes in accounting policy and disclosures (continued)

##### (b) New standards and interpretations not yet adopted (continued)

HKFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

HKFRS 10, “Consolidated financial statements”, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 12, “Disclosures of interests in other entities”, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.2 Changes in accounting policy and disclosures (continued)

##### (b) New standards and interpretations not yet adopted (continued)

HKFRS 11, “Joint arrangements”, included the disclosure requirement for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

HKAS 28, “Associates and joint ventures”, includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. HKFRS 10, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) shall be applied at the same time.

HKFRS 7, “Financial instruments: Disclosures” on asset and liability offsetting, require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKAS 32, “Financial instruments: Presentation” on asset and liability offsetting, are to the application guidance in IAS/HKAS 32, “Financial instruments: Presentation”, and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

According to the Group’s assessment, adoption of these new standards, amendments and interpretations has no material impact to the financial statements of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 2 Summary of significant accounting policies (continued)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

## 2 Summary of significant accounting policies (continued)

### 2.2 Subsidiaries (continued)

#### 2.2.1 Consolidation (continued)

##### (a) Business combinations (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

##### (b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 2 Summary of significant accounting policies (continued)

### 2.3 Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which the Group and other parties have an interest and establishes joint control over the economic activity of the entity according to a contractual agreement and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting. The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

### 2.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.



## 2 Summary of significant accounting policies (continued)

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

### 2.6 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within "Other (losses)/gains – net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 2 Summary of significant accounting policies (continued)

### 2.6 Foreign currency translation (continued)

#### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### 2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriately when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Vehicles	5 years
Furniture and office equipment	5 years
Leasehold improvements	Over the shorter of 5 years or the lease periods

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains-net" in the income statement.

## 2 Summary of significant accounting policies (continued)

### 2.8 Investment properties

Investment properties, principally comprising properties that are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related development costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation method such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually at each balance sheet date by independent valuers. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in other (losses)/gains.

### 2.9 Intangible assets

#### (a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over Sunac China Holdings Limited's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (b) Trademark

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives as agreed in the agreement.

#### (c) Computer software

Costs of the purchases of computer software are recognized as intangible assets and are amortized over the shorter of their estimated useful lives and five years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 2 Summary of significant accounting policies (continued)

### 2.10 Land use rights

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 50 to 70 years using the straight-line method. Land use rights which are held for development for sales are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon the commencement of development and are measured at lower of cost and net realizable value.

### 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.12 Financial assets

#### 2.12.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition.

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, restricted cash and cash and cash equivalent in the balance sheet.

#### (b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the reporting period.

## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets (continued)

#### 2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as “Other (losses)/gains – net”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group’s right to receive payments is established.

#### 2.12.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.13 Impairment of financial assets

#### (a) Assets carried at amortized cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 2 Summary of significant accounting policies (continued)

### 2.13 Impairment of financial assets (continued)

#### (a) *Assets carried at amortized cost (continued)*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

#### (b) *Assets classified as available for sale*

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

### 2.14 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, land use rights cost, capitalised borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

## **2 Summary of significant accounting policies (continued)**

### **2.15 Completed properties held for sale**

Completed properties remaining unsold as at the balance sheet dates are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

### **2.16 Trade and other receivables**

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### **2.17 Restricted cash**

Restricted cash includes guarantee deposits for the Group's bank loans and certain cash proceeds from pre-sale of properties according to the governmental regulations in certain cities of the PRC. For the guarantee deposits for bank loans, the restrictions are released when the Group repays the bank loans. For the restricted cash proceeds from pre-sale of properties, restrictions are to be released gradually in line with the progress of the properties' development.

### **2.18 Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheets, bank overdrafts are shown within borrowings in current liabilities.

### **2.19 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 2 Summary of significant accounting policies (continued)

### 2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



## 2 Summary of significant accounting policies (continued)

### 2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (b) Deferred income tax

##### Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 2 Summary of significant accounting policies (continued)

### 2.24 Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

### 2.25 Share-based payments

#### (a) *Equity settled, share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

## 2 Summary of significant accounting policies (continued)

### 2.25 Share-based payments (continued)

(a) *Equity settled, share-based payment transactions (continued)*

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) *Share-based payment transactions among Group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(c) *Social security contributions on share options gains*

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

### 2.26 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 2 Summary of significant accounting policies (continued)

### 2.27 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and recoverability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds received from customers under current liabilities.

#### (b) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

#### (c) Service income

Property management services income is recognised when the services are provided, the total amount of revenue and costs arising from provision of the services can be estimated reliably, and it is probable that the economic benefits associated with the transaction will flow in.

### 2.28 Interest income

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan or receivables is recognised using the original effective interest rate.

### 2.29 Dividend income

Dividend income is recognised when the right to receive payment is established.

## **2 Summary of significant accounting policies (continued)**

### **2.30 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the year necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

### **2.31 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the income statement on a straight-line basis over the year of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

### **2.32 Dividend distribution**

Dividend distributions to the Company's shareholders is recognised as liabilities in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### **2.33 Exceptional items**

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 2 Summary of significant accounting policies (continued)

### 2.34 Financial guarantee liabilities

Financial guarantee liabilities are recognised initially at fair value. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

## 3 Financial risk management

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2012 were primarily the proceeds from the global bonds offering denominated in USD. Considering the increase trend of RMB value in recent years, the Group has converted most of the funds held in USD into RMB to minimise the exchange loss risk. Accordingly, as at 31 December 2012, most of the operating entities' assets and liabilities were denominated in RMB. The equivalent of RMB800 million was denominated in USD as at 31 December 2012. The Group is keeping a timely monitoring and may carry out necessary actions to manage the exchange risks.

At 31 December 2012, if US dollar had weakened/strengthened by 1%, post-tax profit for the year would have been RMB6 million (2011: RMB0.1 million) lower/higher, which is primarily resulted from the foreign exchange gains/losses on translation of USD Senior notes (Note 26).

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Market risk (continued)

##### (ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available for sale. The Group is not exposed to commodity price risk.

The directors are of the view that the Group's exposure to price risk with regard to its investments is not significant since it is the Group's policy not to invest significant amounts that might have a detrimental impact to the Group's financial results and the Group only invests in such items from time to time. All investments must be approved by the senior management team before they may be entered into.

##### (iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent from changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During 2012 and 2011, the Group's borrowings were denominated in Renminbi and USD (year ended 31 December 2011: Renminbi).

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The table below sets out the Group's exposure to interest rate risks. Included in the tables are the liabilities at carrying amounts, categorised by maturity dates.

RMB'million	Floating rates			Fixed rates			Total
	Less than 1 year	1 to 5 years	Sub-total	Less than 1 year	1 to 5 years	Sub-total	
Borrowings							
At 31 December 2012	8,149	3,509	11,658	3,634	6,433	10,067	21,725
At 31 December 2011	1,067	6,083	7,150	1,187	3,238	4,425	11,575

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (a) Market risk (continued)

##### (iii) Cash flow and fair value interest rate risk (continued)

As at 31 December 2012, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit and capitalised interest for the year would have been lower/higher by RMB5.7 million and RMB68.7 million (As at 31 December 2011: RMB7.6 million and RMB43.1 million) respectively.

The Group's central management team authorises all loans entered into by operating entities centrally and sets a benchmark interest rate within which the local management teams can negotiate loans with their local lenders prior to obtaining central approval. The interest rate benchmark is reassessed annually by the central management team.

The Group also analyses its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

#### (b) Credit risk

Letting of commercial properties is limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank and trade and other receivables.

Credit risk is managed by the central management team, together with the central treasury team. Credit risk arises from cash and cash equivalents, restricted cash deposited with banks, other receivables due from related parties and third parties, notes receivables, as well as credit exposures to commercial customers who let space in our investment properties. Residential and commercial property sales are paid for through up-front cash transactions.

With respect to banks, the State-owned banks in the PRC are mainly used for holding bank accounts in the Group.

Certain customers of the Group have arranged bank financing for their purchases of the properties. The Group entities have provided guarantees to secure obligations of such customers for repayments, normally up to the time when the customers obtain the legal certificates of the property ownership. Detailed disclosure of these guarantees is made in Note 41(a).



### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (c) Liquidity risk

Management aims to maintain sufficient cash to meet funding requirement for operations and monitor rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2013. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2013 include: (1) proceeds from pre-sales in 2013 is expected to be higher than that of 2012; (2) construction payments match receipt of the relevant proceeds from pre-sales; (3) available project loan facility is expected to be no less than that of 2012 and (4) no breach of debt covenants is anticipated in 2013.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures, accelerating sales with more flexible pricing and issuing senior notes. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

Due to the dynamic nature of the underlying businesses, the Group's central treasury department maintains flexibility in funding by its ability to move cash and cash equivalents between different entities through entrusted loan arrangements.

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

In RMB 'million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
<b>Group</b>				
<b>At 31 December 2012</b>				
Borrowings (principal amount plus interest)	13,686	4,598	7,709	25,993
Trade and other payables* (Note 24)	6,554	–	–	6,554
Amount due to Non-controlling interests (Note 25)	3,540	–	–	3,540
Financial guarantee (Note 41(a))	5,124	–	–	5,124
<b>At 31 December 2011</b>				
Borrowings (principal amount plus interest)	3,269	6,507	3,574	13,350
Trade and other payables (Note 24)	3,504	–	–	3,504
Financial guarantee (Note 41(a))	1,976	–	–	1,976

Note\*:

Trade and other payables in this analysis do not include the taxes payables and payroll & welfare payables.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 3 Financial risk management (continued)

### 3.2 Capital risk management

In managing its capital risk, management considers capital to include paid up capital from equity holders and borrowings. The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for equity holders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, project operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt.

The Group's general strategy is to maintain a gearing ratio of about 50% or less. The gearing ratios of the Group as at 31 December 2012 and 2011 were as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Total borrowings (Note 26)	21,725,027	11,574,600
Restricted cash (Note 18)	(3,868,713)	(1,103,719)
Cash and cash equivalents (Note 19)	(8,394,026)	(2,763,386)
Net debts	9,462,288	7,707,495
Total equity	11,994,176	7,405,715
Total capital	21,456,464	15,113,210
Gearing ratio	44%	51%

The decrease in gearing ratio as at 31 December 2012 was mainly caused by a significant increase of cash and cash equivalent and restricted cash which was due to the increase in property projects pre-sale during the year ended 31 December 2012.

#### 4 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The carrying value less impairment provisions of other receivables and the nominal value of trade and other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

#### 5 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### 5.1 Critical accounting estimates and assumptions

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 risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

###### (a) Construction costs estimation for revenue recognition

In the Group, each project is divided into several phases according to the development and delivery plan. Cost of sales including construction costs specific to the phases and common costs allocable to the phases are calculated based on management best estimation of the total development costs for the whole project and the allocation to each phase at the time when the costs incurred.

###### (b) Income taxes

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the worldwide provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 5 Critical accounting estimates and judgements (continued)

### 5.1 Critical accounting estimates and assumptions (continued)

#### (b) *Income taxes (continued)*

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

As disclosed in Note 12, the Group has deferred tax assets from (1) the deferred deductible expenses, which are the expenses without sufficient tax documents received as at the balance sheet dates, (2) tax losses at the entity level, and (3) unpaid land appreciation tax accrued in the cost of sales in the profit or loss, which is a timing difference between the accounting profit and tax calculation.

Based on the development costs budget and the sales pricing plan, the directors are of the view that the property projects of the Group will ultimately generate profits and the deferred tax assets on the unpaid land appreciation tax is a temporary difference. Therefore, management considers that the risk over the recoverability of the deferred tax assets could only be due to a challenge of the deductibility of the expenses currently classified as temporary differences that would result in their reclassification as permanent differences.

#### (c) *PRC land appreciation taxes*

The Group is subject to land appreciation taxes ("LAT") in numerous jurisdictions. However, since the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to its understanding of the interpretation of tax rules by various tax authorities. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income taxes and deferred income tax provisions in the years in which such taxes have been finalised with local tax authorities.

## 5 Critical accounting estimates and judgements (continued)

### 5.1 Critical accounting estimates and assumptions (continued)

#### (d) *Estimated fair value of investment properties*

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the term of any existing lease and other contract and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent professional valuers.

#### (e) *Provision for properties under development and completed properties held for sale*

The Group assesses the carrying amounts of properties under development and completed properties held for sale based on the net realisable value of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates. If the estimated future selling prices had been 5% lower, the Group would have recognised further impairment against properties under development and completed properties held for sale and the net profit for the year ended 31 December 2012 would have decreased by RMB73.4 million.

#### (f) *Estimated Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9(a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

If the price growth rate for the estimation of impairment for goodwill had been 100 bps lower than management's estimates, the group would have recognised no further impairment against goodwill.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 6 Segment information

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors assess the performance of property development business and property management service business respectively. The performance of the operating segments is assessed based on a measure of profit/(loss) before income tax.

Segment assets primarily consist of all assets excluding deferred income tax assets and segment liabilities primarily consist of all liabilities excluding deferred income tax liabilities and current income tax liabilities.

The analysis of the Group's profit/(loss) before income tax by segment is as follows:

	Year ended 31 December 2012		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Total segment revenue	20,671,215	171,377	20,842,592
Cost of sales	(15,249,421)	(210,721)	(15,460,142)
Gross profit	5,421,794	(39,344)	5,382,450
Gain from business combination	154,916	–	154,916
Selling and marketing costs	(529,072)	(887)	(529,959)
Administrative expenses	(329,323)	(25,217)	(354,540)
Other gains – net	20,467	–	20,467
Other income	14,381	1,468	15,849
Other expenses	(1,213)	(681)	(1,894)
Finance income	29,168	–	29,168
Finance costs	(113,101)	–	(113,101)
Share of loss of jointly controlled entities	(30,438)	–	(30,438)
Share of loss of associates	(8,347)	–	(8,347)
Gain from acquisition of associates	119,957	–	119,957
Profit/(Loss) before income tax	4,749,189	(64,661)	4,684,528

## 6 Segment information (continued)

	Year ended 31 December 2011		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Total segment revenue	10,451,056	152,991	10,604,047
Cost of sales	(6,897,556)	(140,018)	(7,037,574)
<b>Gross profit</b>	<b>3,553,500</b>	<b>12,973</b>	<b>3,566,473</b>
Gain from business combination	835,430	–	835,430
Selling and marketing costs	(314,090)	–	(314,090)
Administrative expenses	(277,782)	(23,297)	(301,079)
Other losses – net	(75,900)	–	(75,900)
Other income	15,427	2,889	18,316
Other expenses	(7,279)	(261)	(7,540)
Finance income	18,687	–	18,687
Finance costs	(202,030)	–	(202,030)
Share of profit of jointly controlled entities	97	–	97
Share of loss of associates	(10,072)	–	(10,072)
<b>Profit/(Loss) before income tax</b>	<b>3,535,988</b>	<b>(7,696)</b>	<b>3,528,292</b>

The analysis of the Group's assets and liabilities by segment is as follows:

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Total segment assets	70,049,117	33,187,632
Deferred income tax assets	885,135	424,924
<b>Total assets per balance sheet</b>	<b>70,934,252</b>	<b>33,612,556</b>
Total segment liabilities	49,307,027	21,291,182
Deferred income tax liabilities	4,536,843	2,258,287
Current income tax liabilities	5,096,206	2,657,372
<b>Total liabilities per balance sheet</b>	<b>58,940,076</b>	<b>26,206,841</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 7 Property, plant and equipment – Group

	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>Year ended 31 December 2011</b>				
At 1 January 2011	12,718	4,254	960	17,932
Additions	4,315	4,479	4,340	13,134
Acquisition of subsidiaries	3,066	2,482	–	5,548
Disposals	(591)	(370)	–	(961)
Depreciation charges	(3,823)	(2,503)	(1,170)	(7,496)
At 31 December 2011	15,685	8,342	4,130	28,157
<b>At 31 December 2011</b>				
Costs	26,675	16,151	6,776	49,602
Accumulated depreciation	(10,990)	(7,809)	(2,646)	(21,445)
Net book amount	15,685	8,342	4,130	28,157
<b>Year ended 31 December 2012</b>				
At 1 January 2012	15,685	8,342	4,130	28,157
Additions	13,182	4,604	4,291	22,077
Acquisition of subsidiaries	5,263	3,308	72	8,643
Disposals	(630)	(579)	(15)	(1,224)
Depreciation charges	(6,162)	(1,443)	(1,101)	(8,706)
At 31 December 2012	27,338	14,232	7,377	48,947
<b>At 31 December 2012</b>				
Costs	44,490	23,484	11,124	79,098
Accumulated depreciation	(17,152)	(9,252)	(3,747)	(30,151)
Net book amount	27,338	14,232	7,377	48,947

Depreciation charges of the Group for each of the year ended 31 December 2012 and 2011 were expensed in selling and administrative expenses in the consolidated income statements.



## 8 Investment properties – Group

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
<b>At fair value</b>		
At beginning of year	551,500	583,500
Transfer from completed properties held for sale	–	43,900
Gain/(loss) from valuation (Note 30)	19,000	(75,900)
<b>At end of year</b>	<b>570,500</b>	<b>551,500</b>

### (a) Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Rental income (Note 28)	16,857	17,851
Operating expenses	(2,877)	(3,139)
	<b>13,980</b>	<b>14,712</b>

### (b) Valuation basis

The Group obtains independent valuations DTZ Debenham Tie Leung Ltd. (“DTZ”) for its investment properties annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property’s value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available the directors consider information from a variety of sources including:

- (i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- (ii) discounted cash flow projections based on reliable estimates of future cash flows; and
- (iii) capitalised income projections based upon a property’s estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 8 Investment properties – Group (continued)

#### (b) Valuation basis (continued)

At the end of the reporting period the key assumptions used by the directors in determining fair value were in the following ranges for the Group's portfolio of properties:

	2012	2011
Discount rate	4%~8.5%	4%~8.5%

The following tables show the sensitivity of the fair value of the investment properties to the key assumption of discount rate that should the director's estimates to increase or decrease by 10%.

	2012	
	Favourable change by 10% RMB'000	Unfavourable change by 10% RMB'000
Fair value	46,000	(46,000)

All of the above key assumptions have been taken from the last independent valuation report of the assets in the portfolio.

The Group's investment properties are all located in the PRC and are stated at their carrying values as analysed below:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Outside Hong Kong, held on: Leases of between 10 to 50 years	570,500	551,500

## 8 Investment properties – Group (continued)

### (c) Leasing arrangement

Some of the investment properties are leased to tenants under long-term operating leases. Minimum rentals receivable under non-cancellable operating leases of investment properties not recognised in the financial statements are as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Within 1 year	22,166	18,603
Later than 1 year but no later than 5 years	72,121	68,688
Later than 5 years	129,694	145,474
	<b>223,981</b>	<b>232,765</b>

As at 31 December 2012, certain investment properties with balances totalling RMB207 million were pledged as collaterals for the Group's borrowings (as at 31 December 2011: RMB207 million). Information on investment properties pledged as collaterals for the Group's borrowings is disclosed in Note 26.

## 9 Intangible assets – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Goodwill (Note (a))	301,805	300,958
Trademark (Note (b))	5,950	11,900
Computer software	745	983
	<b>308,500</b>	<b>313,841</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 9 Intangible assets – Group (continued)

#### (a) Goodwill

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Beginning of year	300,958	291,023
Acquisition of subsidiaries	847	9,935
End of year	301,805	300,958

Management reviews the business performance and monitors the goodwill on individual project basis. The following is a summary of goodwill by property project with individual balance over RMB50 million:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Wuxi Sunac City Construction Co., Ltd. ("Wuxi Sunac City")	124,245	124,245
Wuxi Sunac Real Estate Co., Ltd. ("Wuxi Sunac Real Estate")	85,708	85,708
Chongqing Sunac Jiye Real Estate Development Co. Ltd. ("Chongqing Jiye")	48,308	48,308
Others (individual balance less than RMB50 million)	43,544	42,697
	301,805	300,958

A discount rate of 15% was used for the analysis of each cash-generating unit in the operating entities as at 31 December 2012 (as at 31 December 2011: 15%).

9 Intangible assets – Group (continued)

(b) Trademark and computer software

	Trademark RMB'000	Computer software RMB'000	Total RMB'000
<b>Year ended 31 December 2012</b>			
Cost			
At 1 January 2012 and 31 December 2012	58,136	1,181	59,317
Amortisation			
As at 1 January 2012	(46,236)	(198)	(46,434)
Charges for the year	(5,950)	(238)	(6,188)
At 31 December 2012	(52,186)	(436)	(52,622)
Net book value At 31 December 2012	5,950	745	6,695
<b>Year ended 31 December 2011</b>			
Cost			
At 1 January 2011 and 31 December 2011	58,136	1,181	59,317
Amortisation			
At 1 January 2011	(40,286)	–	(40,286)
Charges for the year	(5,950)	(198)	(6,148)
At 31 December 2011	(46,236)	(198)	(46,434)
Net book value At 31 December 2011	11,900	983	12,883

Trademark represents the cost of the authorised right for Chongqing Jiye to use the name “Olympic Garden”, acquired from China Sports Industry Group Co., Ltd. on 30 June 2004. According to the agreement, Chongqing Jiye can use the trademark until the completion of the development of the related project which is expected by 2013.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 10 Investments in jointly controlled entities – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Equity investments in jointly controlled entities	1,081,184	97

An analysis of the movement of equity investments in jointly controlled entities is as follows:

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
At beginning of year	97	178,540
Additions during the year (Note (a))	1,111,822	–
A jointly controlled entity becoming a subsidiary	(297)	(178,540)
Share of (losses)/profits of jointly controlled entities	(30,438)	97
At end of year	1,081,184	97

All jointly controlled entities of the Group are incorporated in the PRC and are non-listed companies.

- (a) During the year ended 31 December 2012, the Group has established the following jointly controlled entities with third parties. A brief summary of the additions is as follows:

	Equity interest attributable to the Group (%)	Investments amount RMB'000
Acquired through business combination (Note 43 (a)):		
– Changzhou Greentown Real Estate Co. Ltd. ("Changzhou Greentown") (Note i)	18.5%	214,122
Newly incorporated:		
– Shanghai Poly Hongrong Real Estate Co., Ltd. ("Poly Hongrong")(Note i)	24.5%	798,700
– Tianjin Beitang Sunac Investment Co., Ltd. ("Beitang Sunac")(Note ii)	50%	50,000
– Beijing Franshion Sunac Real Estate Development Co., Ltd. ("Franshion Sunac") (Note ii)	49%	49,000
		897,700
Total		1,111,822

## 10 Investments in jointly controlled entities – Group (continued)

### (a) (continued)

(i) These two jointly controlled entities were directly invested by a 50% owned subsidiary of the Company, Shanghai Sunac Greentown Real Estate Development Co., Ltd. (“Sunac Greentown”). Sunac Greentown was incorporated by the Group during a business combination transaction. (Note 43)

(ii) These two jointly controlled entities were directly invested by wholly owned subsidiaries of the Company.

(b) A summary of the Group’s interests in its jointly controlled entities as at 31 December 2012 and for the year then ended is as follows:

	Equity interest attributable to the Group	Direct equity interest controlled by the Group	Assets	Liabilities	Revenue	Profit/(loss) included in the consolidated income statement	Profit/(loss) attributable to the owners of the Company
	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2012</b>							
Poly Hongrong	24.5%	49%	735,749	336,473	–	(148)	(74)
Changzhou Greentown	18.5%	37%	447,440	344,695	–	(8,632)	(4,316)
Franshion Sunac	49%	49%	2,068,419	2,039,088	–	(19,671)	(19,671)
Beitang Sunac	50%	50%	312,918	265,106	–	(2,187)	(2,187)
Chongqing APEV Property Management Co., Ltd. (“APEV PM”)*	–	–	–	–	–	200	200
			3,564,526	2,985,362	–	(30,438)	(26,048)
<b>31 December 2011</b>							
APEV PM*	40.0%	40.0%	1,100	1,438	3,105	97	97

\* On 30 September 2012, APEV PM became a wholly owned subsidiary.

## 11 Investments in associates – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Equity investments in associates	3,123,480	979,753

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 11 Investments in associates – Group (continued)

An analysis of the movement of equity investments in associates is as follows:

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
At beginning of year	979,753	459,315
Investments in new associates	2,152,074	980,000
Share of loss of associates	(8,347)	(10,072)
Collection of loan from associates	–	(161,540)
Dividend received from associates	–	(181,090)
Transfer to subsidiaries	–	(106,860)
At end of year	3,123,480	979,753

All associates of the Group are incorporated in the PRC and are all non-listed companies.

During the year ended 31 December 2012, the Group has invested in the following new associates:

	Note	Equity interest attributable to the Group (%)	Investments amount RMB'000
Associate acquired through business combination (Note 43 (a)):			
– Wuxi Taihu Greentown Real Estate Co., Ltd. ("Wuxi Taihu")	(a)	19.5%	108,983
Other acquired associates:			
– Shanghai Greentown Woods Golf Villa development Co., Ltd. ("Shanghai Woods Golf")	(b)	50%	650,851
– Tianjin TEDA City Development Co., Ltd. ("TEDA City")	(c)	23.5%	353,240
			1,004,091
Associates incorporated:			
– Beijing Poly Sunac Real Estate Development Co., Ltd. ("Beijing Poly Sunac")	(d)	49.5%	990,000
– Shanghai Gezhouba Greentown Sunac Real Estate Co., Ltd. ("Gezhouba")	(e)	24.5%	49,000
			1,039,000
Total			2,152,074



## 11 Investments in associates – Group (continued)

Note:

- (a) Wuxi Taihu was acquired by the Group as part of a business combination transaction with Greentown Real Estate Group Co., Ltd. (“Greentown Real Estate”) as disclosed in details in Note 43. Wuxi Taihu was directly invested by a newly established 50% owned subsidiary Sunac Greentown of the Company.
- (b) Shanghai Woods Golf’s 50% interest was acquired by the Group as part of a business combination transaction with Greentown Real Estate as disclosed in details in Note 43. The acquisition contributed a gain of RMB115.6 million to the Group.
- (c) On 21 December 2012, the Company announced that one of its wholly owned subsidiaries has entered into an equity transfer agreement with a third party (the “Seller”) to acquire 23.5% equity interest in TEDA City owned by the Seller at the consideration of RMB348.8 million and will enter into another agreement with the Seller on 7 January 2013 to acquire a further 23.5% equity interest in TEDA City at the consideration of RMB348.9 million and a receivable of RMB124.3 million due from TEDA City by the Seller at a consideration of the same amount.

As at 31 December 2012, the Group has completed the acquisition of the first 23.5% equity interest at the consideration of RMB348.8 million. The Group has paid RMB220 million at 31 December 2012 and the remaining balance of RMB128.8 million was subsequently paid in January 2013. The Group accounted for this investment in associate at the fair value of RMB353.2 million as at 31 December 2012 and accordingly a gain of RMB4.4 million was recognized in the consolidated income statement for the year.

- (d) Beijing Poly Sunac was established by the Group and a third party in September 2012.
- (e) Gezhoubu was established by the Group and a third party in September 2012.

A summary of the Group’s interests in the associates as at 31 December 2012 and for the year then ended is as follows:

	Equity interest attributable to the Group	Direct equity interest controlled by the Group	Assets	Liabilities	Revenue	Profit/(loss) included in the consolidate income statement	Profit/(loss) attributable to the owners of the Company
	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2012</b>							
Tianjin Poly Sunac Investment Company Limited (“Tianjin Poly Sunac”)	49%	49%	1,779,073	808,311	-	(8,991)	(8,991)
Shanghai Woods Golf	50%	50%	1,808,622	1,154,493	242,379	3,278	3,278
Wuxi Taihu	19.5%	39%	414,154	360,329	-	(1,332)	(666)
Beijing Poly Sunac	49.5%	49.5%	1,528,548	539,672	-	(1,124)	(1,124)
TEDA City	23.5%	23.5%	1,412,939	1,050,821	-	-	-
Gezhoubu	24.5%	49%	446,531	422,120	-	(178)	(89)
			7,389,867	4,335,746	242,379	(8,347)	(7,592)
<b>31 December 2011</b>							
Tianjin Poly Sunac	49%	49%	1,156,153	176,400	-	(247)	(247)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 12 Deferred income tax – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Deferred tax assets:		
– to be recovered within 12 months	257,958	106,773
– to be recovered after more than 12 months	627,177	318,151
	885,135	424,924
Deferred tax liabilities:		
– to be settled within 12 months	1,206,602	1,042,085
– to be settled after more than 12 months	3,330,241	1,216,202
	4,536,843	2,258,287

The movements in deferred income tax assets and liabilities are as follows:

#### (a) Deferred income tax assets

	Payments and accruals pending receipt of sufficient tax documents RMB'000	Unpaid land appreciation Tax ("LAT") RMB'000	Deductible tax loss RMB'000	Impairment for development properties RMB'000	Total RMB'000
At January 2011	25,250	177,254	17,831	8,000	228,335
Credited/(charged) to income statement, net	26,920	127,815	(13,667)	1,375	142,443
Acquisition of subsidiaries	7,638	–	46,508	–	54,146
At 31 December 2011	59,808	305,069	50,672	9,375	424,924
Credited/(charged) to income statement, net	(5,038)	274,833	81,410	45,717	396,922
Acquisition of subsidiaries	7,365	49,153	6,771	–	63,289
At 31 December 2012	62,135	629,055	138,853	55,092	885,135

## 12 Deferred income tax – Group (continued)

### (b) Deferred income tax liabilities

	Deferred corporate income tax				Total RMB'000
	LAT on acquisition of new subsidiaries	Fair value on acquisitions	Fair value of investment properties	Distributable profits from the PRC	
	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2011	–	108,972	25,674	76,032	210,678
(Credited)/charged to income statement	–	(209,133)	(18,975)	70,690	(157,418)
Acquisition of subsidiaries	1,894,284	875,027	–	–	2,769,311
Transfer to land appreciation tax payable	(564,284)	–	–	–	(564,284)
At 31 December 2011	1,330,000	774,866	6,699	146,722	2,258,287
(Credited)/charged to income statement	–	(302,175)	769	83,389	(218,017)
Payment	–	–	–	(27,890)	(27,890)
Acquisition of subsidiaries	2,623,181	535,811	–	–	3,158,992
Transfer to land appreciation tax payable	(634,529)	–	–	–	(634,529)
At 31 December 2012	3,318,652	1,008,502	7,468	202,221	4,536,843

## 13 Available-for-sale financial assets – Group

	31 December 2012 RMB '000	31 December 2011 RMB '000
At beginning of year	10,212	–
Subscription	5,000	10,000
Redemption	(15,212)	–
Change in fair value	–	212
At end of year	–	10,212

Available-for-sale financial assets represent certain subscribed non-listed investment funds in domestic fund market and are stated at fair value at balance sheet dates. All available-for-sale financial assets were denominated in RMB.

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### 14 Properties under development (“PUD”) – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Comprising:		
Land use rights costs	25,314,913	13,939,223
Construction costs	9,610,200	5,488,210
Capitalised finance costs	2,801,894	571,860
Less: Provision for loss on realisable value	(29,387)	–
	<b>37,697,620</b>	<b>19,999,293</b>
Including: PUD to be completed within 12 months	17,030,430	8,618,079
PUD to be completed after 12 months	20,667,190	11,381,214
	<b>37,697,620</b>	<b>19,999,293</b>

The PUDs are all located in the PRC.

As at 31 December 2012, certain PUD with balances totalling RMB22,361 million were pledged as collateral for the Group’s borrowings (as at 31 December 2011: RMB10,809 million) (Note 26).

### 15 Completed properties held for sale – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Completed properties held for sale, gross	8,894,689	5,688,806
Less: Provision for loss on realisable value	(190,981)	(37,500)
Completed properties held for sale, net	<b>8,703,708</b>	<b>5,651,306</b>

The completed properties held for sale are all located in the PRC.

As at 31 December 2012, certain completed properties held for sale with balances totalling RMB5,010 million were pledged as collaterals for the Group’s borrowings (as at 31 December 2011: RMB3,642 million) (Note 26).

As at 31 December 2012, the Group is in the process of applying for the ownership certificate in respect of the completed car parks of RMB242 million (as at 31 December 2011: RMB188 million). The Directors consider that the title of car parks will be obtained in due course upon the completion of certain procedures with no additional cost to the Group.

## 16 Trade and other receivables – Group and Company

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade receivables (Note (c))	32,066	39,058	–	–
Notes receivables (Note (c))	105,293	49,991	–	–
Other receivables				
– Guarantee deposits	184,318	238,863	–	–
– Deposits for guarantee to customers' bank loans	35,340	32,447	–	–
– Others	58,903	91,014	9,491	1,195
	415,920	451,373	9,491	1,195

Note:

- (a) As at 31 December 2012 and 2011, the fair value of trade and other receivables approximated their carrying amounts.
- (b) The carrying amounts of the Group's other receivables are all denominated in RMB.
- (c) The aging analysis of the Group's trade and notes receivables is as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Within 90 days		
– Trade receivables	32,066	39,058
– Notes receivables	105,293	49,991

The Group normally has no credit term to the customer. The trade receivables as at 31 December 2012 was a timing difference of bank funds transfer. The amount has been received in early January 2013.

Notes receivable were bank acceptance paid by certain customers, which are due within 3 months as at 31 December 2012.

## Notes to the Consolidated Financial Statements

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### 17 Prepayments – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Prepaid taxes		
– Business tax and surcharge	832,329	368,776
– LAT	456,059	141,729
– Current income tax	430,268	277,184
Prepayments for land use rights acquisition	943,966	100,000
Prepayments for project development costs	26,489	6,306
	<b>2,689,111</b>	<b>893,995</b>

The carrying amounts of the Group's prepayments are all denominated in RMB.

### 18 Restricted cash – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Guarantee deposits for bank loans	1,857,555	171,698
Restricted cash from pre-sale of properties	1,981,027	862,435
Others	30,131	69,586
	<b>3,868,713</b>	<b>1,103,719</b>

### 19 Cash and cash equivalents – Group and Company

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000
Cash at bank and in hand				
– Denominated in RMB	7,581,815	2,745,499	3,661	10
– Denominated in USD	800,402	3,300	800,402	3,300
– Denominated in HKD	11,809	14,587	11,809	14,587
	<b>8,394,026</b>	<b>2,763,386</b>	<b>815,872</b>	<b>17,897</b>

The conversion of RMB denominated balances into foreign currencies, and the remittance of foreign currencies-denominated bank balances and cash out of the PRC are subject to restrictive foreign exchange control rules and regulations.

The Group earns interest on cash at bank, at floating bank deposit rates.

## 20 Ordinary shares – Group and Company

	Number of shares (thousands)	Ordinary shares	
		HK\$'000	Equivalent to RMB'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.1 each			
As at 31 December 2011 and 31 December 2012	10,000,000	1,000,000	
<b>Issued:</b>			
Ordinary shares of HK\$0.1 each			
As at 31 December 2011	3,000,000	300,000	259,112
Proceeds from shares issued upon exercise of employees' share options	15,076	1,508	1,229
As at 31 December 2012	3,015,076	301,508	260,341

## 21 Share-based payments – Group and Company

### (i) Pre-IPO share option scheme

The Company has adopted the Pre-IPO Share Option Scheme on 9 September 2010 ("Pre-IPO Option Scheme Adoption Date"). Under the Pre-IPO Share Option Scheme, the Company has conditionally granted to 121 grantees options to subscribe for up to 51,080,000 shares, representing approximately 1.67% of the total number of ordinary shares in issue on fully diluted basis (assuming the options pursuant to the scheme have been exercised in full). Such options will vest in accordance with the following schedule: 30% upon the first anniversary of the Pre-IPO Option Scheme Adoption Date, an additional 30% upon the second anniversary and an additional 40% upon the third anniversary. The options are conditional on the employees' service in the Group as at the exercise dates. A grantee may exercise any vested portion of his or her options prior to the end of a period of four years from the Pre-IPO Adoption Date, as a subscription price per share equal to 80% of the offer price of the Company's shares in the initial public offering (i.e. 80% of HK\$3.48).

## Notes to the Consolidated Financial Statements

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### 21 Share-based payments – Group and Company (continued)

#### (ii) Post-IPO share option scheme

A Post-IPO Share Option Scheme was approved and adopted by all shareholders of the Company on the annual general meeting held on 29 April 2011 (the “Post-IPO Option Scheme Adoption Date”). The maximum number of shares in respect of which options (“Options”) may be granted should not exceed 99,900,000 shares, representing 3.33% of the total number of shares in issue as at the Post-IPO Scheme Adoption Date. The options are to be granted during a grant period of three years from the Post-IPO Option Scheme Adoption Date. Such options will vest in accordance with the following schedule: 30% upon the grant, an additional 30% upon the first anniversary of the Post-IPO Option Scheme Adoption Date and additional 40% upon the second anniversary. The options are not conditional on the employees’ performance target before an option can be exercised. The subscription price for each grant should be at least the higher of (1) the closing price of the shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets on the grant dates, (2) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange’s daily quotation sheets for the five business days immediately preceding the grant date, and (3) the nominal value of the shares of the Company. The Post-IPO Share Options, once vested, shall be exercisable within a period of three years from the Post-IPO Scheme Adoption Date or the most recent anniversary of the Post-IPO Scheme Adoption Date. On 21 May 2012, the Company has granted the second batch of options to subscribe up to 29,100 thousand shares of the Company, in which, options of 5,300 thousand shares were granted to executive directors.

The Group has no legal or constructive obligation to repurchase or settle all above mentioned options in cash.

Movement in the number of share options and their related weighted average exercise prices are as follows:

	2012		2011	
	Average price in HK\$ per share	Options (thousand)	Average price in HK\$ per share	Options (thousand)
At beginning of year	2.21	90,980	2.78	51,080
Granted in the year	2.33	29,100	1.48	39,900
Exercised in the year	1.97	(15,076)	–	–
At end of year	2.28	105,004	2.21	90,980

As at 31 December 2012, 26,368 thousand shares in Pre-IPO share option scheme and 21,874 thousand shares in Post-IPO share options scheme are exercisable (2011: 15,324 thousand shares in Pre-IPO Share Option Scheme and 11,970 thousand shares in Post-IPO Share Option Scheme).



## 22 Reserves – Group and Company

	Note	Group			Total RMB'000
		Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
<b>Year ended 31 December 2011</b>					
At 1 January 2011		1,783,783	165,226	2,455,840	4,404,849
Profit for the year		–	–	2,356,168	2,356,168
Acquisition of non-controlling interests		–	(8,044)	–	(8,044)
Employees share option scheme:					
– Value of employee services		–	38,690	–	38,690
Statutory reserve		–	145,445	(145,445)	–
Change in fair value of available-for-sale financial assets		–	212	–	212
At 31 December 2011		1,783,783	341,529	4,666,563	6,791,875
<b>Year ended 31 December 2012</b>					
Profit for the year		–	–	2,607,300	2,607,300
Transaction of non-controlling interests	42	–	(22,335)	–	(22,335)
Employees share option scheme:	20				
– Proceeds from shares issued upon exercise of employees' share options		22,978	–	–	22,978
– Value of employee services		–	31,266	–	31,266
Statutory reserve		–	98,960	(98,960)	–
Dividend relating to 2011	47	(79,463)	–	(156,975)	(236,438)
Acquisition of new projects	42	–	34,237	–	34,237
Redemption of available-for-sale financial assets		–	(212)	–	(212)
At 31 December 2012		1,727,298	483,445	7,017,928	9,228,671

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 22 Reserves – Group and Company (continued)

	Note	Company			Total RMB'000
		Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
Year ended 31 December 2011					
At 1 January 2011		1,783,783	1,426,536	(47,822)	3,162,497
Loss for the year		–	–	(23,588)	(23,588)
Employees share option scheme:					
– Value of employee services		–	38,690	–	38,690
At 31 December 2011		1,783,783	1,465,226	(71,410)	3,177,599
Year ended 31 December 2012					
Profit for the year		–	–	162,038	162,038
Employees share option scheme:	20				
– Proceeds from shares issued upon exercise of employees' share options		22,978	–	–	22,978
– Value of employee services		–	31,266	–	31,266
Dividends relating to 2011		(79,463)	–	(156,975)	(236,438)
At 31 December 2012		1,727,298	1,496,492	(66,347)	3,157,443

Note:

#### (a) Statutory reserves

In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising the Group, 10% of its net profit as shown in the accounts prepared under PRC accounting regulations is required to be appropriated to statutory common reserve, until the reserve reaches 50% of the registered capital. Appropriation of statutory reserve must be made before distribution of dividends to equity holders.

This reserve shall only be used to make up losses; to expand the Company's production operation; or to increase the capital of the Company.

Upon approval by a resolution of an equity holders' general meeting, the Company may convert this reserve into share capital, provided that the unconverted remaining amount of reserve is not less than 25% of the registered capital.

The PRC entities of the Group directly owned by the Group's entities outside the PRC are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the revised Articles of Association of these companies, to make appropriations from net profit to the reserve fund and staff and workers' bonus and welfare fund, after offsetting accumulated losses from prior year, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above funds is solely determined by the board of directors of the PRC entities now comprising the Group. For those which are wholly foreign owned enterprises in the PRC, no less than 10% of the profit of each year to the reserve fund is mandatory. The appropriation of the statutory reserve ceases when the accumulated statutory reserve balance reaches 50% of their registered capital.

## 23 Long-term payable – Group

The long-term payable was the present value of amount due to a non-controlling interest. Details are explained in Note 42(2).

## 24 Trade and other payables – Group and Company

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade payables (Note (a))	5,193,012	3,132,703	–	–
Notes payables	242,301	–	–	–
Other taxes payable	454,606	217,764	–	–
Payable for consideration of equity acquisition	387,778	152,415	–	–
Interests payable	184,342	22,680	66,347	–
Payroll and welfare payables	107,233	88,597	–	–
Cash advanced for biting	130,350	38,191	–	–
Advanced deed tax from customers	113,900	64,190	–	–
Current portion of long-term payable (Note 42(2))	23,000	–	–	–
Others	279,287	93,918	17,074	11,170
	<b>7,115,809</b>	<b>3,810,458</b>	<b>83,421</b>	<b>11,170</b>

Note (a):

The ageing analysis of the Group's trade payables is as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Within 90 days	4,221,977	1,656,060
90-180 days	111,435	636,329
180-365 days	434,656	208,961
Over 365 days	424,944	631,353
	<b>5,193,012</b>	<b>3,132,703</b>

## 25 Amount due to non-controlling interests

	31 December 2012 RMB'000	31 December 2011 RMB'000
Amount due to non-controlling interests	3,540,126	–

The amount due to non-controlling interests was mainly due to the Group and the non-controlling interests provided funds to certain related property development subsidiaries through shareholders' loan according to the respective equity interests share. As at 31 December 2012, the amount due to non-controlling interests was non-interest bearing, unsecured and had no fixed terms of repayment.

## Notes to the Consolidated Financial Statements

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### 26 Borrowings – Group and Company

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000
<b>Non-current</b>				
Secured, borrowed from:				
– Banks	9,314,430	7,098,600	–	–
– Other financial institutions	4,996,710	3,650,000	–	–
– Third parties	500,000	530,000	–	–
Senior notes (Note (a))	2,459,390	–	2,459,390	–
	17,270,530	11,278,600	2,459,390	–
Less: Current portion of long-term borrowings (Note*)	(7,328,050)	(1,957,900)	–	–
	9,942,480	9,320,700	2,459,390	–
<b>Current</b>				
Secured, borrowed from:				
– Banks	255,000	–	–	–
– Other financial institutions	1,750,690	250,000	–	–
– Third parties	50,000	–	–	–
Unsecured, borrowed from:				
– Banks	–	–	–	–
– Other financial institutions	318,807	46,000	–	–
– Third parties	2,080,000	–	–	–
Current portion of long-term borrowings (Note*)	7,328,050	1,957,900	–	–
	11,782,547	2,253,900	–	–
<b>Total borrowings</b>	<b>21,725,027</b>	<b>11,574,600</b>	<b>2,459,390</b>	<b>–</b>

Note\*: As at 31 December 2012, RMB1,657 million of borrowings for property development projects will be due for full repayment upon an aggregated 50%-80% pre-sale status in term of gross floor area of the respective projects were achieved. Based on the management's sales forecast, RMB1,400 million (2011: nil) of borrowings will be due for repayment in the year ending 31 December 2013 and are included in current liabilities.

## 26 Borrowings – Group and Company (continued)

### (a) Senior notes

In October 2012, the Company issued senior notes with principal amount of US\$400 million (“Senior notes”), which were listed on the Singapore Exchange Securities Trading Limited. The Senior notes are unsecured and bear coupon interest at 12.5% per annum payable semi-annually in arrears and are due on 16 October 2017. The fair value of the Senior notes approximate the balance at 31 December 2012.

According to the terms of the Senior notes, at any time and from time to time on or after 16 October 2015, the Company may 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 interests, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on 16 October of each of the years indicated below.

<u>Year</u>	<u>Redemption Price</u>
Before 16 October 2015	112.5%
16 October 2015 to 15 October 2016	106.25%
16 October 2016 and thereafter	103.125%

This early redemption option is regarded as an embedded derivative not closely related to the host contract. The directors are of the view that the Group has no plan of any early redemption and the fair value of the above early redemption option is not material on initial recognition and as at 31 December 2012.

### (b) Long-term borrowings

The Group’s borrowings as at 31 December 2012 were repayable as follows:

	<b>31 December 2012</b>	31 December 2011
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>7,328,050</b>	1,957,900
Between 1 and 2 years	<b>3,496,929</b>	6,069,700
Between 2 and 5 years	<b>6,445,551</b>	3,251,000
	<b>17,270,530</b>	11,278,600

The weighted-average effective interest rates for the year ended 31 December 2012 was 10.23% (year ended 31 December 2011: 8.47%).

The fair value of the Long-term borrowings is almost the same with the initial recognition result at 31 December 2012.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 26 Borrowings – Group and Company (continued)

- (c) The exposure of the Group's borrowings with variable interest rates to interest-rate changes and the contractual re-pricing dates are as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
6 months or less	11,298,429	6,930,000
6-12 months	360,000	220,000
	<b>11,658,429</b>	<b>7,150,000</b>

- (d) As at 31 December 2012, the Group had the following committed undrawn banking facilities:

	31 December 2012 RMB'000	31 December 2011 RMB'000
– Expiring within one year	73,140	578,000
– Expiring beyond one year	5,987,490	1,839,950
	<b>6,060,630</b>	<b>2,417,950</b>

- (e) The carrying amounts of all the Group's borrowings (excluding senior notes) are denominated in RMB and approximate their fair values.
- (f) As at 31 December 2012, the Group's borrowings of RMB19,326 million (as at 31 December 2011: RMB11,529 million) were secured or jointly secured by certain Group's properties under development, completed properties held for sale and investment properties totalling RMB27,578 million (as at 31 December 2011: RMB14,658 million), the Group's equity interests of certain subsidiaries (including those legally transferred as collateral).

### 27 Current income tax liabilities

	31 December 2012 RMB'000	31 December 2011 RMB'000
Land appreciation tax payable	2,796,314	1,403,000
Corporate income tax payable	2,299,892	1,254,372
	<b>5,096,206</b>	<b>2,657,372</b>

## 28 Revenue

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Sales of properties	20,654,358	10,433,205
Rental income	16,857	17,851
Property management service income	171,377	152,991
	20,842,592	10,604,047

## 29 Expenses by nature

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Costs of properties sold:		
– Land use rights costs	5,350,179	2,596,776
– Other development costs	7,416,939	3,394,763
– Business tax and related surcharges (Note 31)	1,156,792	592,133
– Capitalised finance costs	1,051,176	321,894
– Other costs	302,188	132,008
– Impairment provision for properties	182,868	–
Staff costs (Note 34)	307,981	225,208
Advertisement and promotion costs	329,210	223,919
Office and travel expenses	91,081	52,266
Other tax expenses	53,013	28,414
Consulting expenses	39,235	24,185
Entertainment expense	36,414	22,056
Depreciation and amortisation	14,894	13,644
Impairment provision for properties	–	9,843
Audit remuneration – audit services	6,500	3,000
Audit remuneration – non audit services	600	–
Others	5,571	12,634
Total costs of sales, selling and marketing costs and administrative expenses	16,344,641	7,652,743

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 30 Other (losses)/gains – net

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Gain/(loss) from valuation of investment properties	19,000	(75,900)
Gain on disposal of PPE, net	1,311	–
Gain on redemption of available-for-sale financial assets	156	–
	20,467	(75,900)

### 31 Business tax and related surcharges

The PRC companies now comprising the Group are subject to business tax on their revenues at the following rates:

Type	Tax rate	Tax bases
a) Business tax	5%	– Sales of properties – Rental income – Property management services revenue
b) Urban construction and maintenance tax	7%	– Business tax paid
c) Education surcharge	3%	– Business tax paid
d) Local education surcharge	0%-2%	– Business tax paid
e) Anti-flood fund	0%-2%	– Business tax paid

### 32 Other income

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Government grants	10,390	7,722
Others	5,459	5,040
Interest income from loans to associates and jointly controlled entities	–	5,554
	15,849	18,316

### 33 Other expenses

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Donations	206	4,693
Others	1,688	2,847
	1,894	7,540



### 34 Employee benefit expenses

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Wages and salaries	225,068	156,513
Pension costs	29,157	17,249
Staff welfare	22,490	12,756
Share options granted to directors and employees	31,266	38,690
	307,981	225,208

### 35 Directors' and senior management's emoluments

#### (a) Directors' and senior management's emoluments

The Directors' and senior management's emoluments are set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share options expenses RMB'000	Other benefits including pension RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
<b>Year ended 31 December 2012:</b>							
Directors:							
Sun Hongbin*	-	1,588	-	1,646	-	-	3,234
Wang Mengde	-	1,173	-	1,798	64	-	3,035
Li Shaozhong	-	1,028	-	1,864	64	-	2,956
Chi Xun	-	1,071	-	1,903	64	-	3,038
Shang Yu	-	1,051	-	1,766	64	-	2,881
Jing Hong	-	1,520	-	1,903	73	-	3,496
Zhu Jia	-	-	-	-	-	-	-
Hu Xiaoling	-	-	-	-	-	-	-
Poon Chiu Kwok	243	-	-	-	-	-	243
Li Qin	243	-	-	-	-	-	243
Ma Lishan	243	-	-	-	-	-	243
Tse Chi Wai	-	-	-	-	-	-	-
<b>Year ended 31 December 2011:</b>							
Directors:							
Sun Hongbin*	-	1,676	-	2,704	-	-	4,380
Wang Mengde	-	734	-	2,469	58	-	3,261
Li Shaozhong	-	980	-	2,670	58	-	3,708
Chi Xun	-	981	-	2,704	58	-	3,743
Shang Yu	-	919	-	2,469	54	-	3,442
Hu Xiaoling	-	-	-	-	-	-	-
Zhu Jia	-	-	-	-	-	-	-
Kan Lai Kuen	111	-	-	-	-	-	111
Poon Chiu Kwok	138	-	-	-	-	-	138
Li Qin	247	-	-	-	-	-	247
Ma Lishan	247	-	-	-	-	-	247

Note\*: Mr Sun Hongbin is the chief executive officer of the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 35 Directors' and senior management's emoluments (continued)

- (b) The five individuals whose emoluments were the highest in the Group included five directors (2012: three) for the year ended 31 December 2012 whose emoluments are reflected in the analysis presented in Note 35(a) above.

### 36 Finance income and costs

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Interest expenses:		
– bank borrowings	928,790	424,989
– borrowings from non-bank financial institutions	740,523	393,273
– borrowings from third parties	81,629	113,793
– bonds offering	66,347	–
	1,817,289	932,055
Other finance cost	10,977	20,547
	1,828,266	952,602
Less: Capitalised finance costs	(1,717,393)	(787,722)
	110,873	164,880
Exchange loss	2,228	37,150
	113,101	202,030
Finance income:		
– Interest income on bank deposits	(29,168)	(18,687)
Net finance costs	83,933	183,343

The capitalisation rate used to determine the amount of the interest incurred eligible for capitalisation in 2012 was 9.45% (2011: 7.2%).

### 37 Income tax expenses

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
CIT		
– Current income tax	1,552,488	1,009,987
– Deferred income tax	(614,939)	(299,809)
	937,549	710,178
LAT	1,132,239	435,042
	2,069,788	1,145,220

#### (a) CIT

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Profit before income tax	4,684,528	3,528,292
Income tax calculated at statutory rate of 25%	1,171,132	882,073
LAT deduction	(283,060)	(108,760)
Share of (loss)/profit of jointly controlled entities	(7,610)	24
Share of loss of associates	(2,087)	(2,518)
Income not subject to tax	(69,583)	(198,887)
Tax losses for which no deferred income tax assets was recognised	13,730	–
Non-deductible expenses	31,638	67,556
Others	83,389	70,690
	937,549	710,178

Pursuant to the applicable rules and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Company and the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the year ended 31 December 2012 based on existing legislations, interpretations and practices.

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the Mainland China. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of their earnings generated from 1 January 2008.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 37 Income tax expenses (continued)

#### (b) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the consolidated income statements as income tax expense.

### 38 Earnings per share

#### (a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2012	2011
Profit attributable to owners of the parent (RMB'000)	2,607,300	2,356,168
Weighted average number of ordinary shares in issue (thousand)	3,004,581	3,000,000

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issues assuming the exercise of the share options.

	Year ended 31 December	
	2012	2011
Profit attributable to owners of the parent (RMB'000)	2,607,300	2,356,168
Weighted average number of ordinary shares in issue (thousand)	3,004,581	3,000,000
Adjusted for Share options (thousand)	31,555	3,509
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	3,036,136	3,003,509

### 39 Cash used in operations

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Profit before income taxes	4,684,528	3,528,292
Adjustments for:		
– Finance costs	113,101	202,030
– Gain from business combination	(154,916)	(835,430)
– Gain from acquisition of associates	(119,957)	–
– Gain on disposal of PPE	(1,311)	(474)
– Gain on disposal of financial assets	(156)	–
– Gain/(loss) from fair value change of investment properties, net	(19,000)	75,900
– Amortisation of intangible assets	6,188	6,148
– Depreciation	8,706	7,496
– Share of profit from associates and jointly controlled entities	38,785	9,975
– Amortization of share options expenses	31,266	38,690
Changes in working capital		
– Restricted cash from pre-sale of properties	(1,118,592)	(595,992)
– Properties under development and completed properties held for sale, net	1,959,263	(7,013,234)
– Trade and other receivables and prepayments	(2,568,595)	215,537
– Trade and other payables	(968,124)	(1,485,871)
– Advanced proceeds from customers	9,306,004	4,417,716
Cash generated from/(used in) operations	11,197,190	(1,429,217)

In the cash flow statement, proceeds from sale of PPE comprise:

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Net book amount (Note 7)	1,224	961
Gains on disposals of PPE	1,311	474
Proceeds from disposals of PPE	2,535	1,435

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 40 Commitments

(a) Property development expenditure at the balance sheet date but not yet incurred is as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Property development expenditure		
– Contracted but not provided for	9,435,282	2,802,419
– Authorised but not contracted	22,596,327	20,397,774
	<b>32,031,609</b>	23,200,193
Investment in new associates		
– Contracted but not provided for	–	656,600
– Authorised but not contracted (Note (i))	473,200	1,137,400
	<b>473,200</b>	1,794,000
	<b>32,504,809</b>	24,994,193

Note:

(i) This is related to the further 23.5% equity interest acquisition of TEDA City (Note 11(c)).

### (b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of certain office buildings under non-cancellable operating leases contracts are payable in the following periods:

	31 December 2012 RMB'000	31 December 2011 RMB'000
No later than 1 year	3,162	6,258
Later than 1 year and no later than 5 years	18,464	–
	<b>21,626</b>	6,258

#### 41 Financial guarantee

(a) Guarantee on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	5,124,183	1,975,718

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the mortgage. The directors consider that the likelihood of default of payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

- (b) There was no corporate guarantee provided to the Group's subsidiaries by the Company in respect of bank borrowings as at 31 December 2012 (as at 31 December 2011: nil). The Directors consider the subsidiaries to be sufficiently financially resourced to settle their obligations.

## Notes to the Consolidated Financial Statements

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### 42 Transactions with non-controlling interests

#### (1) Acquisition of additional equity interest in a subsidiary

On 11 July 2012, the wholly owned subsidiary of the Company, Sunac Zhidi, entered into an agreement with the third party shareholder of Chongqing Sunac Yatai Shiye Real Estate Co., Ltd. (“Chongqing Yatai”) to acquire its owned 15% equity interest in Chongqing Yatai at a total consideration of RMB106,500,000. Chongqing Yatai was an 85% owned subsidiary of Sunac Zhidi. Upon completion of the transaction, Chongqing Yatai became a wholly owned subsidiary of the Company.

	RMB'000
Total equity of Chongqing Yatai before the transaction	797,517
Add: Disposal by the non-controlling interest	140,737
<hr/>	
Total equity of Chongqing Yatai after the transaction	938,254
<hr/>	
Equity disposal from the non-controlling interest	140,737
Less: Contribution paid to the non-controlling interest	(106,500)
<hr/>	
Gain on disposal within equity	34,237
<hr/>	
Effects of the transaction with the non-controlling interest	
Total comprehensive income for the year attributable to owners of the Company	2,607,088
Net effect for the transaction with the non-controlling interest on equity attributable to owners of the Company	34,237
<hr/>	
	2,641,325
<hr/>	



## 42 Transactions with non-controlling interests (continued)

### (2) Changes in ownership interests in subsidiaries without change of control

In March 2012, for the purpose of financing the property development project of Sunac Mingxiang Investment Development Co., Ltd. ("Sunac Mingxiang"), a previously wholly owned subsidiary of the Company, the Group signed an equity cooperation agreement with a third party trust company, Daye Trust Co., Ltd. ("Daye Trust"), to transfer 49.5586% equity interest of Tianjin Sunac Mingxiang to a trust fund managed by Daye Trust. The total amount of the trust fund scheme is RMB904.2 million, in which the wholly owned subsidiary of the Company, Sunac Zhidi, has subscribed subordinated units amounting to RMB200 million by assigning its receivable of the same amount from Sunac Mingxiang to the trust fund. Another wholly owned subsidiary of the Company, Tianjin Sunac Yingrun Equity Investment Fund Management Co., Ltd. has subscribed subordinated units amounting to RMB100 million in cash.

Upon completion of the transaction, the Group received a net cash amount of RMB604.2 million from the trust fund scheme. The Sunac Mingxiang's payable of RMB200 million to the trust fund scheme is not subject to interest charges in accordance with the contractual agreements. The Group has recorded the current portion amounting to RMB23 million as current liabilities (Note 24) and recorded the non-current portion amounting to RMB177 million as long-term payable at its present value in the financial statements. The present value of the long-term payable as at 31 December 2012 amounted to RMB166.7 million. The remaining amount of RMB373.8 million has been recorded as a non-controlling interest in the consolidated financial statements in accordance with HKFRS.

According to the trust fund subscription agreement, should the Trust Fund Scheme incur losses, Sunac Group's subordinated units would first absorb these losses up to the amount of RMB300 million it originally subscribed; losses in excess of this amount would be taken up by other investors. Should the Trust Fund Scheme record profits, the funds would be first used to meet certain return requirements of the other investors; then Sunac Group will be entitled to charge a consulting service fee and to share the excess profits of the Trust Fund Scheme.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 43 Business combination

During the year ended 31 December 2012, the Group completed the following business combination transactions:

Acquiree	Note	Total consideration	Fair value of net assets acquired	Gain/(loss) from transactions	Goodwill	Attributable to owners of the Company
Sunac Greentown projects	a	2,428,294	2,551,623	123,329	–	61,664
Wuxi Sunac Greentown Hubin Real Estate Co., Ltd. (“Hubin Real Estate”)	b	51,000	82,684	31,684	–	31,684
Chongqing APEV Property Management Co., Ltd (“APEV PM”)						
– remeasurement of previous held interest	c	(200)	(297)	(97)	–	(97)
– acquisition of further interest	c	500	(347)	–	847	847
		2,479,594	2,633,663	154,916	847	94,098

- (a) On 22 June 2012, Sunac Zhidi, a wholly owned subsidiary of the Company, entered into a Cooperation Framework Agreement with Greentown Real Estate, a third party of the Company, pursuant to which, Sunac Zhidi acquired an effective 50% of Greentown Real Estate’s interests, including equity interest and loans, in eight property development companies, including six subsidiaries, one jointly controlled entity and one associate of Greentown Real Estate through a newly incorporated entity, Sunac Greentown (hereafter the newly incorporated entity, the six subsidiaries, the investments in the jointly controlled entity and the associate are collectively referred to as “Sunac Greentown projects”). Sunac Zhidi and Greentown Real Estate hold 50% equity interest of Sunac Greentown respectively and Sunac Zhidi has the control in Sunac Greentown.

Further, as part of the transaction, Sunac Zhidi directly acquired a 50% interest in another project development entity, Shanghai Woods Golf, which was previously wholly owned by Greentown Real Estate. After the transaction, Shanghai Woods Golf became an associate of the Company (Note 11(b)).

The total amount paid by the Company to Greentown Real Estate for the transaction was RMB3,358 million, in which RMB1,749 million was for the acquisition of equity interests and RMB1,609 million was for the acquisition of receivables.

- (b) On 5 January 2012, Sunac Zhidi acquired 51% equity interest in Hubin Real Estate from Greentown Real Estate, at the consideration of RMB51 million. Hubin Real Estate then became a subsidiary of Sunac Zhidi.
- (c) On 30 September 2012, another wholly owned subsidiary of the Company, Tianjin Sunac Property Management Co., Ltd. (“Tianjin Property”) has acquired additional 60% equity interest in APEV PM at a total consideration of RMB300,000. Before the transaction APEV PM was a 40% owned jointly controlled entity of the Group. Upon completion of the transaction, APEV PM became a wholly owned subsidiary of the Company.

#### 43 Business combination (continued)

The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions are briefly summarized as follows:

	Sunac Greentown projects RMB'000	Hubin Real Estate RMB'000	APEV PM RMB'000	Total RMB'000
(1) <i>Fair value of net assets</i>				
Cash and cash equivalents	361,694	37,484	1,241	400,419
Property, plant and equipment	7,498	1,073	72	8,643
Investments in jointly controlled entity	214,122	–	–	214,122
Investment in associates	108,983	–	–	108,983
Properties under development and completed properties held for sale	18,114,166	4,188,000	–	22,302,166
Deferred tax assets	63,289	–	–	63,289
Other assets	824,665	116,763	1,666	943,094
Deferred tax liabilities	(2,354,863)	(268,318)	–	(2,623,181)
Trade and other payables	(6,084,507)	(1,776,205)	–	(7,860,712)
Borrowings	(5,103,650)	(1,290,000)	–	(6,393,650)
Other liabilities	(2,709,531)	(846,672)	(3,326)	(3,559,529)
Less: Non-controlling interests	(890,243)	(79,441)	–	(969,684)
Fair value of the net assets acquired	2,551,623	82,684	(347)	2,633,960
(2) <i>Cash and cash equivalent</i>				
Consideration settled by cash	(1,214,147)	(51,000)	–	(1,265,147)
Purchase consideration for liability	(1,608,518)	–	–	(1,608,518)
Consideration not yet settled (recorded as liability)	–	–	–	–
Cash and cash equivalents in the subsidiaries acquired	361,694	37,484	1,241	400,419
Net cash impact on acquisition	(2,460,971)	(13,516)	1,241	(2,473,246)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 44 Related party transactions

The Group is controlled by Sunac International Investment Holdings Ltd. ("Sunac International"), which owns 51.59% of the Company's shares and is controlled by Mr. Sun Hongbin. The ultimate controlling party of the Group is Mr. Sun Hongbin. The remaining 48.41% of the shares are widely held.

#### (a) Name and relationship with related parties

Name	Relationship
Mr. Sun Hongbin	The controlling shareholder and the director of the Company
Sunac International	Equity holder of the Company and controlled by Mr. Sun Hongbin
APEV PM	Jointly controlled entity prior to August 2012 (Note 43(c))
Franshion Sunac	Jointly controlled entity
Beitang Sunac	Jointly controlled entity
Changzhou Greentown	Jointly controlled entity
Poly Hongrong	Jointly controlled entity
Gezhouba	Associate
Wuxi Taihu	Associate
Beijing Poly Sunac	Associate
Shanghai Woods Golf	Associate
TEDA City	Associate
Tianjin Poly Sunac	Associate

#### (b) Related party transactions

During the year ended 31 December 2012, the Group had the following significant transactions with related parties:

	Group	
	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
(i) Receiving/(provision) of funds		
– Gezhouba	(1,227,031)	–
– Beijing Poly Sunac	(544,350)	–
– Poly Hongrong	(249,114)	–
– Franshion Sunac	(155,404)	–
– Beitang Sunac	(163,752)	–
– Tianjin Poly Sunac	(56,839)	66,150
– Shanghai Woods Golf	1,141,314	–
– Changzhou Greentown	148,275	–
– Wuxi Taihu	33,792	–
– Beijing Sunac Hengji	–	161,540
– Others	(1,107)	–

#### 44 Related party transactions (continued)

##### (b) Related party transactions (continued)

	Group	
	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
(ii) Interest income		
– Beijing Sunac Hengji	–	5,887

In the opinion of the Directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

##### (c) Related party balances

	31 December 2012 RMB'000	31 December 2011 RMB'000
Amounts due from jointly controlled entities		
– Frashion Sunac	596,404	441,000
– Poly Hongrong	339,764	–
– Changzhou Greentown	190,000	–
– Beitang Sunac	163,752	–
	1,289,920	441,000
Amounts due from associates		
– Gezhouba	1,227,031	–
– Beijing Poly Sunac	544,350	–
– Others	1,107	–
	1,772,488	–
	3,062,408	441,000

As at 31 December 2012, amounts due from associates and jointly controlled entities were unsecured, have no fixed terms of repayment, and are cash advances in nature. Among the balances, RMB1,645 million are interest free (2011: RMB441 million) and RMB1,417 million (2011: nil) are bearing interests at 7.5% to 10.98% per annum.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 44 Related party transactions (continued)

#### (c) Related party balances (continued)

	31 December 2012 RMB'000	31 December 2011 RMB'000
Amount due to jointly controlled entities		
– Changzhou Greentown	338,275	–
– Poly Hongrong	90,650	–
	428,925	–
Amounts due to associates		
– Shanghai Woods Golf	1,141,314	–
– Wuxi Taihu	33,792	–
– Tianjin Poly Sunac	9,311	66,150
	1,184,417	66,150
	1,613,342	66,150

As at 31 December 2012, amounts due from/to associates and jointly controlled entities were unsecured, have no fixed terms of repayment, and are cash advances in nature. Among the balances, RMB1,241 million are interest free (2011: RMB66 million) and RMB372 million are bearing interests at 10% to 10.98% per annum.

### 45 Interests in subsidiaries

	Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Interests at cost	79,543	48,277
Quasi-equity loans	5,067,018	3,392,124
	5,146,561	3,440,401

Quasi-equity loans are made by the Company to its immediate subsidiaries for their further equity investments in the PRC operating entities.

All subsidiaries of the Group are non-listed companies.

#### 45 Interests in subsidiaries (continued)

Particulars of the subsidiaries of the Group as at 31 December 2012 are set out below:

Name	Date of incorporation/establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest				Principal activities
			31 December 2011		31 December 2012		
			Directly	Indirectly	Directly	Indirectly	
<b>Incorporated in the British Virgin Islands:</b>							
Sunac Real Estate Investment Holdings Ltd.	2 January 2007	US\$10,000	100%	–	100%	–	Investment holding
Qiwei Real Estate Investment Holdings Ltd.	6 June 2007	US\$1	100%	–	100%	–	Investment holding
Yingzi Real Estate Investment Holdings Ltd. ("Yingzi Real Estate")	31 August 2007	US\$1	100%	–	100%	–	Investment holding
Jujin Real Estate Investment Holdings Ltd.	6 September 2007	US\$1	100%	–	100%	–	Investment holding
Dingsheng Real Estate Investment Holdings Ltd.	6 September 2007	US\$1	100%	–	100%	–	Investment holding
Zhuoyue Real Estate Investment Holdings Ltd.	13 September 2007	US\$1	100%	–	100%	–	Investment holding
<b>Incorporated in Hong Kong:</b>							
Jujin Property Investment Holdings Ltd. ("Jujin Property")	14 September 2007	HK\$1	–	100%	–	100%	Investment holding
Dingsheng Property Investment Holdings Ltd. ("Dingsheng Property")	14 September 2007	HK\$1	–	100%	–	100%	Investment holding
Zhuoyue Property Investment Holdings Ltd. ("Zhuoyue Property")	20 September 2007	HK\$1	–	100%	–	100%	Investment holding

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 45 Interests in subsidiaries (continued)

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest				Principal activities
			31 December 2011		31 December 2012		
			Directly	Indirectly	Directly	Indirectly	
<b>Incorporated in the PRC:</b>							
Tianjin Sunac Real Estate Investment Management Co., Ltd.	6 February 2007	RMB460 million	-	100%	-	100%	Investment holding
Tianjin Qiwei Real Estate Investment Management Co., Ltd.	20 July 2007	RMB225 million	-	100%	-	100%	Investment holding
Tianjin Yingzihuijin Property Management Ltd.	26 September 2007	RMB220 million	-	100%	-	100%	Investment holding
Tianjin Jujin Property Management Ltd.	31 October 2007	RMB200 million	-	100%	-	100%	Investment holding
Tianjin Dingsheng Juxian Property Management Ltd.	31 October 2007	RMB200 million	-	100%	-	100%	Investment holding
Tianjin Zhuoyue Property Management Ltd.	31 October 2007	US\$15 million	-	100%	-	100%	Investment holding
Tianjin Sunac Huijie Zhidi Co., Ltd. ("Tianjin Huijie")	21 January 2011	HK\$700 million	-	100%	-	100%	Real estate development
Tianjin Sunac Dingsheng Zhidi Co., Ltd. ("Tianjin Dingsheng")	4 January 2011	HK\$1,700 million	-	100%	-	100%	Real estate development
Sunac Zhidi	31 January 2003	RMB900 million	-	100%	-	100%	Real estate development and investment
Tianjin Sunac Ao Cheng Investment Co., Ltd.	25 February 2003	RMB222 million	-	100%	-	100%	Real estate development and investment
Sunac Mingxiang	6 April 2010	RMB1,421 million	-	100%	-	50.4%	Real estate development
Tianjin Xiangchi Investment Co., Ltd.	25 September 2006	RMB160 million	-	100%	-	100%	Real estate development
Wuxi Sunac Investment Co. Ltd.	28 July 2010	RMB5 million	-	100%	-	100%	Real estate development and investment
Wuxi Sunac Real Estate	27 February 2004	RMB204.1 million	-	100%	-	100%	Real estate development and investment
Wuxi Sunac City	11 May 2005	RMB448 million	-	71.43%	-	71.43%	Real estate development
Suzhou Chunshen Lake Property Development Co. Ltd.	8 February 2005	RMB140 million	-	100%	-	100%	Real estate development



45 Interests in subsidiaries (continued)

Name	Date of incorporation/acquisition	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest				Principal activities
			31 December 2011		31 December 2012		
			Directly	Indirectly	Directly	Indirectly	
<b>Incorporated in the PRC (continued):</b>							
Yixing Sunac Dongjiu Real Estate Co., Ltd.	9 March 2010	RMB1,100 million	-	100%	-	100%	Real estate development
Chongqing Jiye	24 April 2004	RMB180 million	-	100%	-	100%	Real estate development and investment
Chongqing Yatai	2 January 2011	RMB280 million	-	85%	-	100%	Real estate development
Chongqing Sunac Shangfeng Real Estate Co., Ltd.	21 February 2011	RMB1,200 million	-	100%	-	100%	Real estate development
Beijing Sunac Hengji	27 September 2011	RMB100 million	-	100%	-	100%	Real estate development and investment
Beijing Shouchi Yuda Real Estate Development Co., Ltd.	27 September 2011	RMB20 million	-	100%	-	100%	Real estate development
Beijing Sunac Construction Investment Real Estate Co., Ltd.	16 August 2010	RMB10 million	-	100%	-	100%	Real estate development and investment
Beijing Sunac Jiye	1 June 2011	RMB400 million	-	100%	-	100%	Real estate development
Langfang Sunac Zhiye Co., Ltd.	11 July 2011	RMB10 million	-	-	-	100%	Real estate development
Tianjin Sunac Yingrun Equity Investment Fund Management Co., Ltd.	11 July 2011	RMB20 million	-	-	-	100%	Investment management
Tianjin Sunac Property Management Co. Ltd.	21 March 2010	RMB10 million	-	100%	-	100%	Property management services and investment
Sunac Zhidi (Tianjin) Business Operation Management Co., Ltd.	21 March 2010	RMB5 million	-	100%	-	100%	Property management services
Chongqing Sunac Property Management Co., Ltd.	21 March 2010	RMB5 million	-	100%	-	100%	Property management services
Jintan Sunac Plants and Flowers Co., Ltd.	14 July 2010	RMB0.5 million	-	100%	-	100%	Service of maintenance plants and flowers for the property projects
Chongqing Sunac Business Operation Management Co., Ltd.	21 March 2010	RMB0.5 million	-	100%	-	100%	Property management services

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

## 45 Interests in subsidiaries (continued)

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest				Principal activities
			31 December 2011		31 December 2012		
			Directly	Indirectly	Directly	Indirectly	
<b>Incorporated in the PRC (continued):</b>							
Hubin Real Estate	5 January 2012	RMB100 million	-	-	-	51%	Real estate development and investment
Chongqing Yejin Real Estate Development Co., Ltd.	19 October 2012	RMB10 million	-	-	-	60%	Real estate development and investment
Sunac Greentown (Note (a))	9 August 2012	RMB2,000 million	-	-	-	50%	Real estate development and investment
Shanghai Huazhe Bund Real Estate Co., Ltd.	1 July 2012	RMB50 million	-	-	-	51%	Real estate development and investment
Shanghai Lvshun Real Estate Development Co., Ltd.	1 July 2012	RMB1,000 million	-	-	-	100%	Real estate development and investment
Suzhou Greentown Yuyuan Real Estate Development Co., Ltd.	1 July 2012	RMB250 million	-	-	-	100%	Real estate development and investment
Suzhou Greentown Rose Garden Real Estate Development Co., Ltd.	1 July 2012	RMB360 million	-	-	-	66.67%	Real estate development and investment
Wuxi Greentown Real Estate Development Co., Ltd.	1 July 2012	RMB174.8 million	-	-	-	85%	Real estate development and investment
Tianjin Yijun Investment Co., Ltd.	1 July 2012	RMB10 million	-	-	-	80%	Real estate development and investment
Chongqing Sunac Shijin Real Estate Co., Ltd.	12 December 2012	HK\$1,250 million	-	-	-	100%	Real estate development and investment
Hangzhou Sunac Real Estate Development Co., Ltd. ("Hangzhou Sunac")	20 December 2012	US\$102 million	-	-	-	100%	Real estate development and investment
APEV PM	30 September 2012	RMB0.5 million	-	-	-	100%	Property management services
Beijing Xishanhui Business Club Management Co., Ltd.	23 November 2012	RMB0.5 million	-	-	-	80%	Property management services

Note (a): The Group has the majority voting power in the board of the directors of Sunac Greentown, therefore, the Group has the control in Sunac Greentown.

#### 46 Financial instruments by category – Group and Company

(a) Group

	Loans and receivables	
	31 December 2012 RMB '000	31 December 2011 RMB '000
<b>Assets as per balance sheet</b>		
Trade and other receivables	415,920	451,373
Restricted cash	3,868,713	1,103,719
Cash and cash equivalents	8,394,026	2,763,386
Amounts due from jointly controlled entities	1,289,920	441,000
Amounts due from associates	1,772,488	–
	<b>15,741,067</b>	<b>4,759,478</b>

	Available-for-sales financial assets	
	31 December 2012 RMB '000	31 December 2011 RMB '000
<b>Assets as per balance sheet</b>		
Available-for-sale financial assets	–	10,212

	Financial liabilities at amortised costs	
	31 December 2012 RMB '000	31 December 2011 RMB '000
<b>Liabilities as per balance sheet</b>		
Borrowings	21,725,027	11,574,600
Amounts due to jointly controlled entities	428,925	–
Amounts due to associates	1,184,417	66,150
Trade and other payables	6,553,970	3,504,097
	<b>29,892,339</b>	<b>15,144,847</b>

Note: Trade and other payables in this analysis do not include the taxes payables and payroll & welfare payables.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 46 Financial instruments by category – Group and Company (continued)

#### (b) Company

	Loans and receivables	
	31 December 2012 RMB '000	31 December 2011 RMB '000
<b>Assets as per balance sheet</b>		
Amounts due from subsidiaries	156	64
Other receivables	9,491	1,195
Cash and cash equivalents	815,872	17,897
	<b>825,519</b>	<b>19,156</b>

	Financial liabilities at amortised costs	
	31 December 2012 RMB '000	31 December 2011 RMB '000
<b>Liabilities as per balance sheet</b>		
Other payables	83,421	11,170
Amounts due to subsidiaries	11,485	11,676
	<b>94,906</b>	<b>22,846</b>

### 47 Dividends

The actual dividends paid in the year ended 31 December 2012 were RMB236.4 million (RMB0.0788 per share) which was proposed in the annual general meeting of the Company (RMB0.0785 per share, amounting to total dividend of RMB235.6 million). No dividends had been paid in the year ended 31 December 2011.

A final dividend in respect of the year ended 31 December 2012 amounting to a total dividend of RMB260,730,000, is to be proposed at the annual general meeting of the Company expected to be held on 16 May 2013.

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Proposed final dividend	260,730	235,617
Payment of final dividend for last year	236,438	–

#### **48 Events after the balance sheet date**

**(1) Acquisition of additional equity interests in a jointly controlled entity and an associate**

- (a) On 1 January 2013, Sunac Greentown, acquired an additional 20% equity interest of its jointly controlled entity, Changzhou Greentown, from a third party shareholder at a consideration of RMB160 million. Changzhou Greentown became a subsidiary of the Company.
- (b) On 7 January 2013, pursuant to the agreement as disclosed in Note 11(c), the Group has completed the second acquisition of further 23.5% equity interest in TEDA City and the receivable of approximately RMB124.3 million due from TEDA City by the Seller at a total consideration of approximately RMB473.2 million.

**(2) Investment in a property project in Hangzhou**

On 17 January 2013, a wholly owned subsidiary of the Company, Jujin Property, entered into an agreement with a third party company (the “Business Partner”), pursuant to which, Jujin Property and the Business Partner will jointly develop a property project in Hangzhou, the PRC, for which the land use right was secured by the Business Partner in December 2012. According to the agreement, the Group will invest RMB560 million and share 50% of interest in the property project.

**(3) Placing Shares**

On 21 January 2013, the Company issued 300 million new shares at HK\$6.7 per share. The net proceed was recorded as share capital and share premium.

**(4) Transfer of 25% interest of a subsidiary to a third party without losing control**

On 31 January 2013, a wholly owned subsidiary of the Company, Zhuoyue Property, signed an agreement with Greentown Real Estate, pursuant to which, Zhuoyue Property will transfer 25% equity interest of its wholly owned subsidiary to Greentown Real Estate at a consideration of USD25.5 million (equivalent to approximately RMB160.5 million). The subsidiary of Zhuoyue Property is developing a property project in Hangzhou, the PRC.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

### 48 Events after the balance sheet date (continued)

#### (5) Acquisition of 49% interest in a property project in Hangzhou

On 14 March 2013, a wholly owned subsidiary of the Company, Yingzi Real Estate, entered into an agreement with Summer Sky Investment Limited (“Summer Sky”) and Shimao Property Holdings Limited (an independent third party), pursuant to which, Yingzi Real Estate agreed to subscribe 49 new shares of Summer Sky at a consideration of HK\$49 in cash. Summer Sky has secured a land use right for property development in Hangzhou. According to the plan, the Group will invest approximately RMB907 million and will share 49% interests in this project.

#### (6) Intention of acquisition of 50% interest in property projects in Shanghai

On 16 March 2013, the Company and Greentown China Holdings Limited (collectively, the “Purchasers”) and China Gold Associate Limited (the “Vendor”), an independent third party, entered into a Cooperative Development Intention Agreement, pursuant to which the Purchasers intend to acquire, conditionally through their equally-shared company, the entire issued share capital of Golden Regal Limited at a consideration of RMB9,019 million. The consideration of RMB9,019 million will be invested by the Company and Greentown China Holdings Limited in equal share. Golden Regal Limited indirectly owns 100% of the equity interest in three project companies which develop property projects located in Shanghai, the PRC. According to the current plan, upon the completion of this acquisition, Golden Regal Limited and its subsidiaries (including the three project companies) will become subsidiaries of the Company.

# Independent Auditor's Report



羅兵咸永道

To the shareholders of Sunac China Holdings Limited  
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 132, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 and to report our opinion 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 judgment, 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.

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### 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.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 29 March 2012



# Consolidated Balance Sheet

As at 31 December 2011

		As at 31 December	
	Note	2011 RMB'000	2010 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	28,157	17,932
Investment properties	8	551,500	583,500
Intangible assets	9	313,841	308,873
Investment in jointly controlled entities	10	97	178,540
Investment in and loan to associates	11	1,420,753	459,315
Deferred income tax assets	12	424,924	228,335
Available-for-sale financial assets	13	10,212	–
		<b>2,749,484</b>	<b>1,776,495</b>
<b>Current assets</b>			
Properties under development	14	19,999,293	8,032,371
Completed properties held for sale	15	5,651,306	1,009,898
Amounts due from related parties	39(d)	–	7
Trade and other receivables and prepayments	16	1,345,368	681,773
Restricted cash	17	1,103,719	291,056
Cash and cash equivalents	18	2,763,386	3,957,952
		<b>30,863,072</b>	<b>13,973,057</b>
<b>Total assets</b>		<b>33,612,556</b>	<b>15,749,552</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	259,112	259,112
Reserves	20		
– Proposed final dividend	42	235,617	–
– Others		6,556,258	4,404,849
		<b>7,050,987</b>	<b>4,663,961</b>
Non-controlling interests		354,728	–
<b>Total equity</b>		<b>7,405,715</b>	<b>4,663,961</b>

		As at 31 December	
		2011	2010
		RMB'000	RMB'000
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	22	9,320,700	4,625,113
Long-term payable		–	131,868
Deferred income tax liabilities	12	2,258,287	210,678
		<b>11,578,987</b>	<b>4,967,659</b>
<b>Current liabilities</b>			
Trade and other payables	21	5,212,897	2,446,814
Advanced proceeds from customers		5,839,974	1,422,258
Amounts due to related parties	39(d)	66,150	450,104
Current income tax liabilities		1,254,933	731,136
Borrowings	22	2,253,900	1,067,620
		<b>14,627,854</b>	<b>6,117,932</b>
<b>Total liabilities</b>		<b>26,206,841</b>	<b>11,085,591</b>
<b>Total equity and liabilities</b>		<b>33,612,556</b>	<b>15,749,552</b>
<b>Net current assets</b>		<b>16,235,218</b>	<b>7,855,125</b>
<b>Total assets less current liabilities</b>		<b>18,984,702</b>	<b>9,631,620</b>

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 52 to 132 were approved by the Board of Directors on 29 March 2012 and were signed on its behalf.

**Sun Hongbin**  
*Director*

**Wang Mengde**  
*Director*

# Balance Sheet

As at 31 December 2011

		As at 31 December	
	Note	2011 RMB'000	2010 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	40	3,440,401	1,413,497
<b>Current assets</b>			
Amount due from subsidiaries		64	234,592
Other receivables	16	1,195	26
Cash and cash equivalents	18	17,897	1,805,707
		19,156	2,040,325
<b>Total assets</b>		<b>3,459,557</b>	<b>3,453,822</b>
<b>EQUITY</b>			
<b>Equity attributable to owner of the Company</b>			
Share capital	19	259,112	259,112
Reserves	20		
– Proposed final dividend	42	235,617	–
– Others		2,941,982	3,162,497
<b>Total equity</b>		<b>3,436,711</b>	<b>3,421,609</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables		11,170	23,722
Amount due to subsidiaries		11,676	8,491
<b>Total liabilities</b>		<b>22,846</b>	<b>32,213</b>
<b>Total equity and liabilities</b>		<b>3,459,557</b>	<b>3,453,822</b>
<b>Net current assets</b>		<b>(3,690)</b>	<b>2,008,112</b>
<b>Total assets less current liabilities</b>		<b>3,436,711</b>	<b>3,421,609</b>

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 52 to 132 were approved by the Board of Directors on 29 March 2012 and were signed on its behalf.

**Sun Hongbin**  
Director

**Wang Mengde**  
Director

# Consolidated Income Statement

For the year ended 31 December 2011

	Note	Year ended 31 December	
		2011 RMB'000	2010 RMB'000
Revenue	23	10,604,047	6,653,759
Cost of sales	25	(7,037,574)	(3,775,608)
<b>Gross profit</b>		<b>3,566,473</b>	<b>2,878,151</b>
Gain from re-measurement of previously held interests	38	835,430	–
Loss from fair value of investment properties, net	24	(75,900)	–
Selling and marketing costs	25	(314,090)	(108,799)
Administrative expenses	25	(301,079)	(155,819)
Other income	27	18,316	24,411
Other expenses	28	(7,540)	(1,840)
<b>Operating profit</b>		<b>3,721,610</b>	<b>2,636,104</b>
Finance income	31	18,687	18,504
Finance costs	31	(202,030)	(186,756)
Finance costs, net	31	(183,343)	(168,252)
Share of profit of jointly controlled entities	10	97	49,828
Share of (loss)/profit of associates	11	(10,072)	79,443
<b>Profit before income tax</b>		<b>3,528,292</b>	<b>2,597,123</b>
Income tax expenses	32	(1,145,220)	(1,056,132)
<b>Profit for the year</b>		<b>2,383,072</b>	<b>1,540,991</b>
<b>Attributable to:</b>			
Owners of the Company		2,356,168	1,542,161
Non-controlling interests		26,904	(1,170)
		<b>2,383,072</b>	<b>1,540,991</b>
Basic earnings per share (RMB)	33(a)	0.785	0.636
Diluted earnings per share (RMB)	33(b)	0.784	0.636
Dividends	42	235,617	191,182

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	Year ended 31 December	
		2011 RMB'000	2010 RMB'000
<b>Profit for the year</b>		2,383,072	1,540,991
Gain recognised directly in equity			
– Gain from fair value of available-for-sale financial assets	13	212	–
<b>Total comprehensive income for the year</b>		2,383,284	1,540,991
<b>Attributable to:</b>			
Equity owners of the Company		2,356,380	1,542,161
Non-controlling interests		26,904	(1,170)
<b>Total comprehensive income for the year</b>		2,383,284	1,540,991

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	(Note 20) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	1,762	–	121,245	1,247,758	1,370,765	500,343	1,871,108
<b>Comprehensive income</b>							
Profit for the year	–	–	–	1,542,161	1,542,161	(1,170)	1,540,991
<b>Total Comprehensive Income</b>	–	–	–	1,542,161	1,542,161	(1,170)	1,540,991
<b>Transactions with Owners</b>							
Acquisition of non-controlling interests	–	–	(108,827)	–	(108,827)	(499,173)	(608,000)
Dividends	–	–	–	(191,182)	(191,182)	–	(191,182)
Employees share option	–	–	9,513	–	9,513	–	9,513
Share issuance under global offering	64,769	1,976,364	–	–	2,041,133	–	2,041,133
Share issuance under capitalization issue	192,581	(192,581)	–	–	–	–	–
Statutory reserve	–	–	142,897	(142,897)	–	–	–
Others	–	–	398	–	398	–	398
At 31 December 2010	259,112	1,783,783	165,226	2,455,840	4,663,961	–	4,663,961
<b>Comprehensive income</b>							
Profit for the year	–	–	–	2,356,168	2,356,168	26,904	2,383,072
Change in fair value	–	–	212	–	212	–	212
<b>Total Comprehensive Income</b>	–	–	212	2,356,168	2,356,380	26,904	2,383,284
<b>Transactions with Owners</b>							
Transaction with non-controlling interest (Note 37)	–	–	(8,044)	–	(8,044)	208,044	200,000
Acquisition of a subsidiary (Note 38 (a))	–	–	–	–	–	119,780	119,780
Employees' share option	–	–	38,690	–	38,690	–	38,690
Statutory reserve	–	–	145,445	(145,445)	–	–	–
At 31 December 2011	259,112	1,783,783	341,529	4,666,563	7,050,987	354,728	7,405,715

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	Year ended 31 December	
		2011 RMB'000	2010 RMB'000
<b>Cash flows from operating activities</b>			
Cash used in operations	34	(1,429,217)	(1,250,117)
Income tax paid		(1,245,726)	(327,650)
<b>Net cash used in operating activities</b>		<b>(2,674,943)</b>	<b>(1,577,767)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	38	(378,139)	(313,977)
Investment to associates	11	(798,911)	–
Collection of loans to an associate	11	161,540	131,520
Purchase of property, plant and equipment (“PPE”)	7	(13,134)	(13,055)
Purchase of financial assets	13	(10,000)	(3,000)
Purchase of intangible assets		(870)	–
Proceeds from disposal of PPE	34	1,435	3,138
Proceeds from disposals of financial assets		–	3,813
Payment for new land use right acquisition	10	(441,000)	–
<b>Net cash used in investing activities</b>		<b>(1,479,079)</b>	<b>(191,561)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		6,198,000	4,989,813
Cash receiving from non-controlling interests		200,000	–
Repayments of borrowings		(3,019,843)	(1,968,434)
Guarantee deposits (payments)/collection, net	17	(216,671)	221,078
Payment of interests and other finance costs		(202,030)	(162,223)
Proceeds from issuance of ordinary shares			
on global offering	19	–	2,253,970
Payment of shares issuance costs	19	–	(212,837)
Payment for acquiring non-controlling interest		–	(626,736)
Payment of dividends		–	(191,183)
<b>Net cash generated from financing activities</b>		<b>2,959,456</b>	<b>4,303,448</b>
<b>Net (decrease)/increase in cash and equivalents</b>		<b>(1,194,566)</b>	<b>2,534,120</b>
Cash and cash equivalents at beginning of year		3,957,952	1,423,832
<b>Cash and cash equivalents at end of year</b>	18	<b>2,763,386</b>	<b>3,957,952</b>

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 1 General information

Sunac China Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in property development, property investment and property management services in the People’s Republic of China (the “PRC”). The Company is an investment holding company.

The Company was incorporated in the Cayman Islands on 27 April 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its registered office is Landmark Square, 3rd floor, 64 Earth Close, P. O. box 30592, Grand Cayman KY1-1203, Cayman Island.

The Company’s ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) on 7 October 2010.

These financial statements are presented in thousands of units of Renminbi (“RMB’000”) unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 29 March 2012.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by available for sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (a) Going concern

The Group meets its day-to-day working capital requirements through its pre-sale proceeds, bank facilities and other borrowings from third parties. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's property products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group had adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 22.

#### (b) The Group has adopted the following new and amended HKFRSs:

HKFRS (Amendments)	Third annual improvement project (2010) published in May 2010 by the HKICPA
HKFRS 3 (Revised)	Business combinations <ul style="list-style-type: none"><li>– Clarifies that entities should apply the rules in HKFRS 3 (not HKFRS 7, HKAS 32 or HKAS 39) to contingent consideration that arose from business combinations with acquisition dates that precede the application of HKFRS 3.</li><li>– Clarifies that only entities with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interest at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.</li></ul>
HKAS 27 (Revised)	Consolidated and separate financial statements <ul style="list-style-type: none"><li>– Clarifies that the consequential amendments from HKAS 27 made to HKAS 21, 'The effect of changes in foreign exchange rates, HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when HKAS 27 is applied earlier.</li></ul>
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of rights issues <ul style="list-style-type: none"><li>– Rights issues are now required to be classified as equity if they are issued for a fixed amount of cash regardless of the currency in which the exercise price is denominated, provided they are offered on a pro rata basis to all owners of the same class of non-derivative equity. Entities will no longer classify rights issues, for which non-derivative the exercise price is denominated in a foreign currency, as derivative liabilities with fair value changes being recorded in profit or loss. Rather, entities will be able to classify these rights in equity with no re-measurement.</li></ul>

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

(b) *The Group has adopted the following new and amended HKFRSs: (continued)*

HKAS 24 (Revised)	Related party disclosures
	<ul style="list-style-type: none"><li>– The amendment introduces an exemption from all of the disclosure requirements of IAS/HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:<ul style="list-style-type: none"><li>i) the name of the government and the nature of their relationship; and</li><li>ii) the nature and amount of any individually-significant transactions; and</li><li>iii) the extent of any collectively-significant transactions qualitatively or quantitatively.</li></ul></li><li>– It also clarifies and simplifies the definition of a related party.</li></ul>
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
	<ul style="list-style-type: none"><li>– The interpretation clarifies the accounting by the debtor when the debtor renegotiates the terms of its debt with the result that the liability is extinguished through issuing its own equity instruments to the creditor (i.e. a “debt for equity swap”). A gain or loss recognised in profit or loss is the difference between the fair value of the equity instruments issued and the carrying amount of the financial liability.</li><li>– If the fair value of the equity instruments cannot be reliably measured then the fair value of the existing financial liability is used to measure the gain or loss.</li><li>– The amount of the gain or loss should be separately disclosed on the face of the statement of comprehensive income or in the notes.</li></ul>
HKFRS 7	Financial instruments: Disclosures
	<ul style="list-style-type: none"><li>– Clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures.</li></ul>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

(b) *The Group has adopted the following new and amended HKFRSs: (continued)*

HKAS 1	Presentation of financial statements
	<ul style="list-style-type: none"><li>– Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</li></ul>
HKAS 34	Interim financial reporting
	<ul style="list-style-type: none"><li>– The circumstances likely to affect fair values of financial instruments and their classification;</li><li>– Transfers of financial instruments between different levels of the fair value hierarchy,</li><li>– Changes in classification of financial assets, and</li><li>– Changes in contingent liabilities and assets.</li></ul>

The adoption of these standards, amendments and interpretations has no significant impact on the results and the financial positions of the Group.

(c) *The following standards, amendments and interpretations which have been issued and are not yet effective have not been early adopted by the Group:*

HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets (effective on or after 1 July 2011)
	<ul style="list-style-type: none"><li>– This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.</li></ul>
	Disclosures – Offsetting financial assets and financial liabilities (effective on or after 1 January 2013)
	<ul style="list-style-type: none"><li>– The amendments also require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.</li></ul>

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

- (c) *The following standards, amendments and interpretations which have been issued and are not yet effective have not been early adopted by the Group (continued):*

HKAS 12 (Amendment)      Deferred tax: Recovery of underlying assets  
(effective on or after 1 January 2012)

- HKAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in HKAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is withdrawn.

HKAS 1 (Amendment)      Presentation of financial statements  
(effective on or after 1 July 2012)

- The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 10                      Consolidated financial statements  
(effective on or after 1 January 2013)

- The objective of IFRS/HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

(c) *The following standards, amendments and interpretations which have been issued and are not yet effective have not been early adopted by the Group (continued):*

HKAS 27 (revised 2011)	Separate financial statements (effective on or after 1 January 2013)
	– HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.
HKFRS 11	Joint arrangements (effective on or after 1 January 2013)
	– HKFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
HKAS 28 (revised 2011)	Associates and joint ventures (effective on or after 1 January 2013)
	– HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS/HKFRS 11.
HKFRS 12	Disclosure of interests in other entities (effective on or after 1 January 2013)
	– HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
HKFRS 13	Fair value measurements (effective on or after 1 January 2013)
	– HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

(c) *The following standards, amendments and interpretations which have been issued and are not yet effective have not been early adopted by the Group (continued):*

HKAS 19 (Amendment)	Employee benefits (effective on or after 1 January 2013)
	<ul style="list-style-type: none"><li>– These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.</li></ul>
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities (effective on or after 1 January 2014)
	<ul style="list-style-type: none"><li>– The amendments clarify the requirements for offsetting financial instruments on the balance sheet:<ul style="list-style-type: none"><li>(i) the meaning of ‘currently has a legally enforceable right of set-off’; and (ii) that some gross settlement systems may be considered equivalents to net settlement.</li></ul></li></ul>
HKFRS 9	Financial instruments (effective on or after 1 January 2015)
	<ul style="list-style-type: none"><li>– HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply.</li></ul>
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures (effective on or after 1 January 2015)
	<ul style="list-style-type: none"><li>– HKFRS 7 and HKFRS 9 (Amendments) “Mandatory effective date and transition disclosures” delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required.</li></ul>

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the financial statements of the Group upon their initial application.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.2 Consolidation

#### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

Intercompany transactions, balances income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend.

## 2 Summary of significant accounting policies (continued)

### 2.2 Consolidation (continued)

#### (b) *Transaction with non-controlling interests*

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### (c) *Jointly controlled entities*

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. Interest in jointly controlled entities is incorporated in the consolidated financial statements using the equity method of accounting and is initially recognised at cost.

The Group's shares of the post-acquisition results in jointly controlled entities are recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.2 Consolidation (continued)

#### (d) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors, that makes strategic decisions.

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the group's presentation currency.

## 2 Summary of significant accounting policies (continued)

### 2.4 Foreign currency translation (continued)

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within “finance income or cost”. All other foreign exchange gains and losses are presented in the income statement within “other (losses)/gains – net”.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

#### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet of the companies now comprising the Group are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement of the companies now comprising the Group are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Vehicles	5 years
Furniture and office equipment	5 years
Leasehold improvements	Over the shorter of 5 years or the lease periods

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses) – net" in the income statement.

### 2.6 Investment properties

Investment properties, principally comprising properties that are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related development costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation method such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually at each balance sheet date by independent valuers. Changes in fair values are recorded in the income statement as "Gain/(losses) from fair value of investment properties, net".

## 2 Summary of significant accounting policies (continued)

### 2.6 Investment properties (continued)

If an investment property becomes occupied by the owner or intended for sale in the ordinary course of business, it is reclassified as property, plant and equipment or completed properties held for sale, and its fair value at the date of reclassification becomes its cost for accounting purposes. Investment properties that are under construction are stated at fair value.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Rental income from investment properties are recognised in the income statement on a straight-line basis over their term of lease.

### 2.7 Intangible assets

#### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or joint controlled entities is included in investments in associates or investment in joint controlled entities and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

#### (b) Trademark

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives as agreed in the agreement.

### 2.8 Land use rights

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 50 to 70 years using the straight-line method. Land use rights which are held for development for sales are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon the commencement of development.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.9 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.10 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, land use rights cost, capitalised borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

### 2.11 Completed properties held for sale

Completed properties remaining unsold as at the balance sheet dates are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition.

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivable, amounts due from related parties, other receivables, restricted cash and cash and cash equivalents in the balance sheet.

#### (b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless investment matures or management intends to dispose of it within twelve months of the reporting period.

#### (b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets (except for unlisted equity investments that do not have quoted price in active market and whose fair value cannot be reliably measured) are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets (continued)

#### (b) Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “Other gains/(losses) – net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as “Other gains/(losses) – net”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group’s right to receive payments is established.

### 2.13 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 2.14 Restricted cash

Restricted cash includes guarantee deposits for the Group’s bank loans and certain proceeds from pre-sale of properties according to the governmental regulations. For the guarantee deposits for bank loans, the restrictions are released when the Group repays the bank loans. For the restricted cash proceeds from pre-sale of properties, restrictions are to be released gradually in line with the progress of the properties’ development.

### 2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Bank deposits which are restricted to use are not included in cash and cash equivalents.

## **2 Summary of significant accounting policies (continued)**

### **2.16 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.17 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **2.18 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the year in which they are incurred.

Borrowing is derecognised when, and only when the obligation specified in the contract is discharged or cancelled or expires.

### **2.19 Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.19 Current and deferred income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.20 Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

## 2 Summary of significant accounting policies (continued)

### 2.21 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.22 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### 2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminating sales within the Group. Revenue is recognised as follows:

#### (a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and recoverability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds received from customers under current liabilities.

## 2 Summary of significant accounting policies (continued)

### 2.23 Revenue recognition (continued)

(b) *Rental income*

Rental income from properties being let under operating leases is recognised on a straight line basis over the lease terms.

(c) *Service income*

Property management services income is recognised when the services are provided, the total amount of revenue and costs arising from provision of the services can be estimated reliably, and it is probable that the economic benefits associated with the transaction will flow in.

(d) *Interest income*

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan or receivables is recognised using the original effective interest rate.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

### 2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the year necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 2 Summary of significant accounting policies (continued)

### 2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the year of the lease.

(a) *The Group is the lessee*

Payment made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the year of the lease.

(b) *The Group is the lessor*

Assets leased out under operating leases are included in investment properties in the balance sheet when the rest of the definition of an investment property is met.

### 2.26 Dividend distribution

Dividend distributions to the Company's shareholders is recognised as liabilities in the Group's and the company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### 2.27 Comparatives

The Group previously disclosed interest income on bank deposits within "Other income". Management believes that their inclusion in "finance income" is a fairer representation of the Group's activities.

### 2.28 Financial guarantee liabilities

Financial guarantee liabilities are recognised initially at fair value. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

### 3 Financial risk management

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) *Market risk*

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2011 were primarily the proceeds from the global offering denominated in HK\$. Considering the increase trend of RMB value in recent years, the Group has converted most of the funds held in HK\$ into RMB to minimise the exchange loss risk. Accordingly, as at 31 December 2011, most of the operating entities' assets and liabilities were denominated in RMB. The equivalent of RMB15 million was denominated in HK\$ as at 31 December 2011. The Group is keeping a timely monitoring and may carry out necessary actions, such as hedging program, to manage the exchange risks.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent from changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During 2011 and 2010, the Group's borrowings were all denominated in Renminbi (year ended 31 December 2010: Renminbi).

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (a) Market risk (continued)

#### (ii) Cash flow and fair value interest rate risk (continued)

The table below sets out the Group's exposure to interest rate risks. Included in the tables are the liabilities at carrying amounts, categorised by maturity dates.

RMB' million	Floating rates			Fixed rates			Total
	Less than 1 year	1 to 5 years	Sub-total	Less than 1 year	1 to 5 Years	Sub-total	
Borrowings At 31 December 2011	1,067	6,083	7,150	1,187	3,238	4,425	11,575
At 31 December 2010	519	2,536	3,055	549	2,089	2,638	5,693

As at 31 December 2011, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been lower/higher by RMB7.6 million and the capitalised interest would have been higher/lower by RMB43.1 million (as at 31 December 2010: RMB6.7 million and RMB12.8 million).

The Group's central management team authorises all loans entered into by operating entities centrally and sets a benchmark interest rate within which the local management teams can negotiate loans with their local lenders prior to obtaining central approval. The interest rate benchmark is reassessed annually by the central management team.

The Group also analyses its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

#### (iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet either as available-for-sale. The Group is not exposed to commodity price risk.

The directors are of the view that the Group's exposure to price risk with regard to its investments is not significant since it is the Group's policy not to invest significant amounts that might have a detrimental impact to the Group's financial results and the Group only invests in such items from time to time. All investments must be approved by the senior management team before they may be entered into. As at 31 December 2011, such investments amounting to RMB10 million was classified as available-for-sales assets.

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

(b) *Credit risk*

Letting of commercial properties is limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank and trade and other receivables.

Credit risk is managed by the central management team, together with the central treasury team. Credit risk arises from cash and cash equivalents, restricted cash deposited with banks, other receivables due from related parties and third parties, notes receivables, as well as credit exposures to commercial customers who let space in our investment properties. Residential and commercial property sales are paid for through up-front cash transactions.

With respect to banks, the larger State-owned banks in the PRC are mainly used for holding bank accounts in the Group.

Certain customers of the Group have arranged bank financing for their purchases of the properties. The Group entities have provided guarantees to secure obligations of such customers for repayments, normally up to the time when the customers obtain the legal certificates of the property ownership. Detailed disclosure of these guarantees is made in Note 36(a).

(c) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank borrowings to meet its construction commitments.

Due to the dynamic nature of the underlying businesses, the Group's central treasury department maintains flexibility in funding by its ability to move cash and cash equivalents between different entities through entrusted loan arrangements.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date up to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances.

In RMB' million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
<b>Group</b>				
<b>At 31 December 2011</b>				
Borrowings	2,254	6,070	3,251	11,575
Trade and other payables (Note 41)	2,873	631	–	3,504
Financial guarantee (Note 36(a))	1,976	–	–	1,976
<b>At 31 December 2010</b>				
Borrowings	1,068	2,135	2,490	5,693
Trade and other payables (Note 41)	1,088	567	–	1,655
Financial guarantee (Note 36(a))	3,770	–	–	3,770

### 3.2 Capital risk management

In managing its capital risk, management considers capital to include paid up capital from equity holders and borrowings. The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for equity holders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, project operating cash flows, projected capital expenditures and projected strategic investment opportunities.

### 3 Financial risk management (continued)

#### 3.2 Capital risk management (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet, plus net debt.

The Group's general strategy is to maintain a gearing ratio of about 60% or less. The gearing ratios of the Group as at 31 December 2011 and 2010 were as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Total borrowings (Note 22)	11,574,600	5,692,733
Restricted cash (Note 17)	(1,103,719)	(291,056)
Cash and cash equivalents (Note 18)	(2,763,386)	(3,957,952)
Net debts	7,707,495	1,443,725
Total equity	7,405,715	4,663,961
Total capital	15,113,210	6,107,686
Gearing ratio	51%	24%

The increase in gearing ratio as at 31 December 2011 was mainly caused by a significant increase of borrowings which was made in line with the increase in property projects developments during the year ended 31 December 2011.

### 4 Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The nominal value less impairment provisions of other receivables and the nominal value of trade and other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are 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 risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### 5.1 Construction costs estimation for revenue recognition

In the Group, each project is divided into several phases according to the development and delivery plan. The Group recognise sales upon delivery of properties. Cost of sales including construction costs specific to the phases and common costs allocable to the phases are calculated based on management best estimation of the total development costs for the whole project and the allocation to each phase at the time when the properties are delivered.

### 5.2 Income taxes

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the worldwide provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

As disclosed in Note 12, the Group has deferred tax assets from (1) the deferred deductible expenses, which are the expenses without sufficient tax documents received as at the balance sheet dates, (2) tax losses at the entity level, and (3) unpaid land appreciation tax accrued in the cost of sales in the profit or loss, which is a timing difference between the accounting profit and tax calculation.

Based on the development costs budget and the sales pricing plan, the directors are of the view that the property projects of the Group will ultimately generate profits and the deferred tax assets on the unpaid land appreciation tax is a temporary difference. Therefore, management considers that the risk over the recoverability of the deferred tax assets could only be due to a challenge of the deductibility of the expenses currently classified as temporary differences that would result in their reclassification as permanent differences.

## 5 Critical accounting estimates and judgements (continued)

### 5.3 PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, since the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to its understanding of the interpretation of tax rules by various tax authorities. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income taxes and deferred income tax provisions in the years in which such taxes have been finalised with local tax authorities.

### 5.4 Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (a) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, derived from the term of any existing lease and other contract and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent professional valuers.

### 5.5 Provision for properties held for sale

The Group assesses the carrying amounts of properties held for sale based on the net realisable value of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates. As at 31 December 2011, no such provision need to be accrued based on the Group's assessment.

### 5.6 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7(a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

Management regularly reviews the operating results by property development projects and the property management service business. As property development projects are all located in the PRC, their revenue are primarily derived from the sales of, and are related and subject to common risk and returns, all property development projects are aggregated into a single reportable segment in accordance with HKFRS 8 “Operating segments”.

The analysis of the Group’s revenue and results by segment is as follows:

	Year ended 31 December 2011		
	Property development and investment RMB’000	Property management services RMB’000	Total RMB’000
Total segment revenue	10,451,056	152,991	10,604,047
Cost of sales	(6,897,556)	(140,018)	(7,037,574)
Segment results	3,553,500	12,973	3,566,473
Segment income/(expenses):			
– Gain from deemed disposal of previously held interests	835,430	–	835,430
– Loss from fair value of investment properties, net	(75,900)	–	(75,900)
– Selling and marketing costs	(314,090)	–	(314,090)
– Administrative expenses	(277,782)	(23,297)	(301,079)
– Other income	15,427	2,889	18,316
– Other expenses	(7,279)	(261)	(7,540)
– Finance costs, net	(183,343)	–	(183,343)
– Share of profit of jointly controlled entities	97	–	97
– Share of loss of associates	(10,072)	–	(10,072)
Profit/(loss) before income tax	3,535,988	(7,696)	3,528,292

6 Segment information (continued)

	Year ended 31 December 2010		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Revenue from external customers	6,612,807	40,952	6,653,759
Cost of sales	(3,735,942)	(39,666)	(3,775,608)
Segment results	2,876,865	1,286	2,878,151
Segment income/(expenses):			
– Selling and marketing costs	(107,556)	(1,243)	(108,799)
– Administrative expenses	(149,080)	(6,739)	(155,819)
– Other income	23,364	1,047	24,411
– Other expenses	(1,812)	(28)	(1,840)
– Finance costs, net	(168,252)	–	(168,252)
– Share of profit of jointly controlled entities	49,828	–	49,828
– Share of profit of associates	79,443	–	79,443
Profit/(loss) before income tax	2,602,800	(5,677)	2,597,123

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6 Segment information (continued)

The analysis of the Group's assets and liabilities by segment is as follows:

	31 December 2011		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
<b>Total assets per the balance sheet</b>	<b>33,574,849</b>	<b>37,707</b>	<b>33,612,556</b>
Including:			
Investment in jointly controlled entities	97	–	97
Investment in and loan to associates	1,420,753	–	1,420,753
Investment properties	551,500	–	551,500
<b>Total liabilities per the balance sheet</b>	<b>26,130,472</b>	<b>76,369</b>	<b>26,206,841</b>
	31 December 2010		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
<b>Total assets per the balance sheet</b>	<b>15,719,004</b>	<b>30,548</b>	<b>15,749,552</b>
Including:			
Investment in jointly controlled entities	178,540	–	178,540
Investment in and loan to associates	459,315	–	459,315
Investment properties	583,500	–	583,500
<b>Total liabilities per the balance sheet</b>	<b>11,024,429</b>	<b>61,162</b>	<b>11,085,591</b>

## 7 Property, plant and equipment

	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Year ended 31 December 2010				
Opening net book amount	6,497	1,531	835	8,863
Additions	9,033	3,880	537	13,450
Additions due to acquisition of subsidiaries	–	632	330	962
Disposals	(668)	(350)	(4)	(1,022)
Depreciation	(2,144)	(1,439)	(738)	(4,321)
Closing net book amount	12,718	4,254	960	17,932
At 31 December 2010				
Costs	19,596	8,858	2,436	30,890
Accumulated depreciation	(6,878)	(4,604)	(1,476)	(12,958)
Net book amount	12,718	4,254	960	17,932
Year ended 31 December 2011				
Opening net book amount	12,718	4,254	960	17,932
Additions	4,315	4,479	4,340	13,134
Additions due to acquisition of subsidiaries	3,066	2,482	–	5,548
Disposals	(591)	(370)	–	(961)
Depreciation	(3,823)	(2,503)	(1,170)	(7,496)
Closing net book amount	15,685	8,342	4,130	28,157
At 31 December 2011				
Costs	26,675	16,151	6,776	49,602
Accumulated depreciation	(10,990)	(7,809)	(2,646)	(21,445)
Net book amount	15,685	8,342	4,130	28,157

Depreciation charges of the Group for each of the year ended 31 December 2011 and 2010 were expensed in selling and administrative expenses in the consolidated income statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 8 Investment properties

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
At beginning of year	583,500	583,500
Transfer from completed properties held for sale	43,900	–
Loss from fair value measurement (Note 24)	(75,900)	–
At end of year	551,500	583,500

The following amounts have been recognised in the income statement:

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Rental income (Note 23)	17,851	19,232

The investment properties were revalued as at 31 December 2011 by an independent professional valuer, DTZ Debenham Tie Leung Ltd. (as at 31 December 2010: DTZ Debenham Tie Leung Ltd.). The valuations were performed based on current prices in an active market for all properties.

The Group's interests in investment properties are all located in the PRC and are stated at their carrying values as analysed below:

	31 December 2011 RMB'000	31 December 2010 RMB'000
	Outside Hong Kong, held on: Leases of between 10 to 50 years	551,500

## 8 Investment properties (continued)

Some of the investment properties are leased to tenants under long-term operating leases. Minimum rentals receivable under non-cancellable operating leases of investment properties not recognised in the financial statements are as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Within 1 year	18,603	15,620
Later than 1 year but no later than 5 years	68,688	77,565
Later than 5 years	145,474	146,536
	<b>232,765</b>	<b>239,721</b>

As at 31 December 2011, certain investment properties with balance totalling RMB207 million were pledged as collaterals for the Group's borrowings (as at 31 December 2010: RMB154 million) (Note 22).

## 9 Intangible assets

	31 December 2011 RMB'000	31 December 2010 RMB'000
Goodwill (Note (a))	300,958	291,023
Trademark (Note (b))	11,900	17,850
Others	983	–
	<b>313,841</b>	<b>308,873</b>

### (a) Goodwill

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Beginning of year	291,023	258,261
Acquisition of subsidiaries	9,935	32,762
End of year	<b>300,958</b>	<b>291,023</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 9 Intangible assets (continued)

### (a) Goodwill (continued)

The goodwill additions during the year ended 31 December 2011 arose from the acquisition of Beijing Sunac Hengji Zhidi Real Estate Development Co., Ltd., (it was previously a Company's associate named Beijing Shougang Sunac Real Estate Development Co., Ltd., hereafter "Beijing Sunac Hengji") which became a subsidiary in September 2011, and the acquisition of Chongqing Yatai Shiye Real Estate Development Co. Ltd. which became a subsidiary (it was previously a Company's jointly controlled entity named Chongqing Yuneng Real Estate Development Co., Ltd., hereafter "Chongqing Yatai") in January 2011. The goodwill is mainly attributable to the future appreciation of the related property projects (Note 38).

An operating segment level summary of the goodwill allocation is presented as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Chongqing Sunac Jiye Real Estate Development Co. Ltd. ("Chongqing Jiye")	48,308	48,308
Wuxi Sunac Real Estate Co. Ltd. ("Wuxi Sunac Real Estate")	85,708	85,708
Wuxi Sunac City Construction Co. Ltd. ("Wuxi Sunac City")	124,245	124,245
Sunac Property Management	32,762	32,762
Chongqing Yatai	918	-
Beijing Sunac Hengji	9,017	-
	<b>300,958</b>	<b>291,023</b>

A discount rate of 15% was used for the analysis of each cash-generating unit in the operating entities as at 31 December 2011 (as at 31 December 2010: 15%).

## 9 Intangible assets (continued)

### (b) Trademark

Trademark represents the cost of the right for Chongqing Jiye to use the name “Olympic Garden”, which was acquired from China Sports Industry Group Co. Ltd. on 30 June 2004. According to the agreement, Chongqing Jiye can use the trademark until the completion of the development of the related project which is expected by 2013.

	RMB'000
<b>Year ended 31 December 2010</b>	
Cost	
At 1 January 2010	58,136
Amortisation	
At 1 January 2010	(34,336)
Charged for the year	(5,950)
At 31 December 2010	(40,286)
Net book value	
At 31 December 2010	17,850
<b>Year ended 31 December 2011</b>	
Cost	
At 1 January 2011	58,136
Amortisation	
As at 1 January 2011	(40,286)
Charged for the year	(5,950)
At 31 December 2011	(46,236)
Net book value	
At 31 December 2011	11,900

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 10 Investment in jointly controlled entities

	31 December 2011 RMB'000	31 December 2010 RMB'000
Equity investment in jointly controlled entities	97	178,540

An analysis of the movement of equity investment in jointly controlled entities is as follows:

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Beginning of year	178,540	128,712
Jointly controlled entities that became subsidiaries (Note 38 (a))	(178,540)	–
Investment in a new jointly controlled entity (Note (a))	0	–
Share of profit of jointly controlled entities	97	49,828
End of year	97	178,540

Note:

- (a) On 1 January 2011, the wholly owned subsidiary of the Group, Tianjin Sunac Zhidi Co., Ltd. (“Sunac Zhidi”), acquired a 40% equity interest in APEV Property Management Co., Ltd. (“APEV Property Management”) from Chongqing Yuneng Real Estate (Group) Co. Ltd., one of the third party shareholders of APEV Property Management. The consideration is RMB1.

Upon the completion of the above transaction, APEV Property Management became a jointly controlled entity of the Group.

The Group’s interests in its jointly controlled entity for the year ended 31 December 2011 are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit RMB'000	Interest %
APEV Property Management	PRC	1,100	1,438	3,105	97	40

## 11 Investment in and loan to associates

	31 December 2011 RMB'000	31 December 2010 RMB'000
Equity investment in associates	1,420,753	297,775
Entrusted loan to an associate	–	161,540
	<b>1,420,753</b>	<b>459,315</b>

An analysis of the movement of equity investment in associates is as follows:

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Beginning of year	459,315	218,332
(Collection)/provision of loan to associates	(161,540)	161,540
Dividend from associates	(181,090)	–
Associates that became subsidiaries (Note 38 (b))	(106,860)	–
Investment in a new associate (Note (a))	980,000	–
Share of (loss)/profit of associates	(10,072)	79,443
Prepayment for new investment (Note (b))	441,000	–
End of year	<b>1,420,753</b>	<b>459,315</b>

Note:

- (a) On 7 September 2011, a wholly owned subsidiary of the Company Sunac Zhidi, entered into an agreement with a third party investor, Poly (Tianjin) Real Estate Development Co., Ltd. (“Poly Real Estate”), in relation to the establishment of a new property project company named Tianjin Poly Sunac Investment Company Limited. (“Poly Sunac”) in Tianjin, the PRC. The Group has a 49% equity interest in Poly Sunac. Poly Sunac is treated as an associate of the Group because Sunac Zhidi will not control Poly Sunac and Poly Real Estate has casting vote at board meetings of Poly Sunac.
- (b) On 16 December 2011, another wholly owned subsidiary of the Company, Beijing Sunac Hengji and Tianjin Sunac Ao Cheng Investment Co., Ltd. (“Sunac Ao Cheng”), jointly with a third party business partner, secured an acquisition of a new land use right in Beijing Laiguangying. An new joint venture will be established by Beijing Sunac Hengji, Sunac Ao Cheng and the business partner, which will be an associate to develop this new property project. As at 31 December 2011, a prepayment of RMB441 million by Beijing Sunac Hengji for the acquisition of the land use right will be transferred to the investments in the associate.

The Group’s interests in its associates for the year ended 31 December 2011 are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Loss RMB'000	Interest %
Poly Sunac	PRC	1,156,153	176,400	–	(247)	49

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 12 Deferred income tax

	31 December 2011 RMB'000	31 December 2010 RMB'000
Deferred income tax assets recoverable:		
– within 12 months	106,773	18,993
– after 12 months	318,151	209,342
	<b>424,924</b>	<b>228,335</b>
Deferred income tax liabilities to be settled:		
– within 12 months	1,042,085	33,727
– after 12 months	1,216,202	176,951
	<b>2,258,287</b>	<b>210,678</b>

The movements in deferred income tax assets and liabilities are as follows:

### (a) Deferred income tax assets

	Payments and accruals pending receipt of sufficient tax documents RMB'000	Unpaid land appreciation tax RMB'000	Deductible tax loss RMB'000	Total RMB'000
At 1 January 2010	33,227	–	20,205	53,432
(Charged)/credited to the income statement	23	177,254	(2,374)	174,903
At 31 December 2010	33,250	177,254	17,831	228,335
(Charged)/credited to the income statement	28,295	127,815	(13,667)	142,443
Acquisition of subsidiary (Note 38)	7,638	–	46,508	54,146
At 31 December 2011	69,183	305,069	50,672	424,924

## 12 Deferred income tax (continued)

### (b) Deferred income tax liabilities

	Deferred land appreciation tax ("LAT") on acquisition of new subsidiaries RMB'000	Deferred corporate income tax			Total RMB'000
		Fair value on acquisitions RMB'000	Fair value of investment properties RMB'000	Distributable profits from the PRC subsidiaries RMB'000	
At 1 January 2010	–	141,987	23,742	50,212	215,941
(Credited)/charged to the income statement	–	(33,015)	–	25,820	(7,195)
Acquisition of subsidiary (Note 38)	–	–	1,932	–	1,932
At 31 December 2010	–	108,972	25,674	76,032	210,678
(Credited)/charged to the income statement	–	(209,133)	(18,975)	70,690	(157,418)
Acquisition of subsidiary (Note 38)	1,894,284	875,027	–	–	2,769,311
Transfer to land appreciation tax payable	(564,284)	–	–	–	(564,284)
At 31 December 2011	1,330,000	774,866	6,699	146,722	2,258,287

## 13 Available-for-sale financial assets

	31 December 2011 RMB'000	31 December 2010 RMB'000
Beginning of year	–	800
Subscription	10,000	3,000
Redemption	–	(3,800)
Change in fair value	212	–
End of year	10,212	–

Available-for-sale financial assets represent certain subscribed investment funds in domestic fund market and are stated at fair value at balance sheet dates.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 14 Properties under development (“PUD”)

	31 December 2011 RMB'000	31 December 2010 RMB'000
Comprising:		
Land use rights	13,939,223	5,942,332
Construction costs	5,488,210	1,947,164
Capitalised financial costs	571,860	142,875
	<b>19,999,293</b>	<b>8,032,371</b>
Including: PUD to be completed within 12 months	8,618,079	2,148,776
PUD to be completed after 12 months	11,381,214	5,883,595
	<b>19,999,293</b>	<b>8,032,371</b>

The properties under development are all located in the PRC.

As at 31 December 2011, certain properties under development with balances totalling RMB10,809 million were pledged as collaterals for the Group’s borrowings (as at 31 December 2010: RMB3,500 million) (Note 22).

## 15 Completed properties held for sale

	31 December 2011 RMB'000	31 December 2010 RMB'000
Completed properties held for sale, gross	5,688,806	1,041,898
Less: Provision for loss on realisable value	(37,500)	(32,000)
Completed properties held for sale, net	<b>5,651,306</b>	<b>1,009,898</b>

The completed properties held for sale are all located in the PRC.

As at 31 December 2011, certain completed properties held for sale with balances totalling RMB3,642 million were pledged as collaterals for the Group’s borrowings (as at 31 December 2010: RMB103 million) (Note 22).

As at 31 December 2011, the Group is in the process of applying for the ownership certificate in respect of the completed car parks of RMB188 million. The Directors consider that the title of car parks will be obtained in due course upon the completion of certain procedures in 2012 with no additional cost to the Group.

## 16 Trade and other receivables and prepayments

	The Group		The Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	31 December 2011 RMB'000	31 December 2010 RMB'000
Trade receivables (Note (c))	39,058	–	–	–
Notes receivables (Note (c))	49,991	–	–	–
Prepaid taxes	787,689	123,079	–	–
Deposits	238,863	160,000	–	–
Prepayment for a new property project	100,000	–	–	–
Loan to a primary land developer for a potential new project	50,000	–	–	–
Deposits for guarantee to customers' bank loans	32,447	33,861	–	–
Prepaid development costs to construction companies	6,306	26,201	–	–
Prepayment to non-controlling interests for equity acquisition	–	320,104	–	–
Others	41,014	18,528	1,195	26
	<b>1,345,368</b>	<b>681,773</b>	<b>1,195</b>	<b>26</b>

Note:

- As at 31 December 2011 and 2010, the fair value of trade and other receivables and prepayments approximated their carrying amounts.
- The carrying amounts of the Group's trade and other receivables and prepayments are all denominated in RMB.
- The aging analysis of the Group's trade and notes receivables is as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Within 90 days		
– Trade receivables	39,058	–
– Notes receivables	49,991	–

The Group normally has no credit term to the customer. The trade receivables as at 31 December 2011 was a timing difference of bank funds transfer. The amount has been received in early January 2012.

Notes receivable were bank acceptance paid by certain customers, which are due within 3 months as at 31 December 2011.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 17 Restricted cash

	31 December 2011 RMB'000	31 December 2010 RMB'000
Guarantee deposits for bank loans	507,727	291,056
Restricted cash from pre-sale of properties	526,406	–
Others	69,586	–
	<b>1,103,719</b>	291,056

## 18 Cash and cash equivalents

	The Group		The Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	31 December 2011 RMB'000	31 December 2010 RMB'000
Cash at bank and in hand				
– Denominated in RMB	2,745,499	3,696,651	10	1,782,363
– Denominated in HKD	14,587	256,364	14,587	20,716
– Denominated in USD	3,300	4,937	3,300	2,628
	<b>2,763,386</b>	3,957,952	<b>17,897</b>	1,805,707

The conversion of RMB denominated balances into foreign currencies, and the remittance of foreign currencies-denominated bank balances and cash out of the PRC are subject to restrictive foreign exchange control rules and regulations.

The Group earns interest on cash at bank, at floating bank deposit rates.

## 19 Share capital and share premium – Group and Company

### Share capital

	Note	Number of shares (thousands)	Ordinary shares	
			HK\$'000	Equivalent to RMB'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each				
As at 31 December 2010 and 31 December 2011		10,000,000	1,000,000	

### Issued:

Ordinary shares of HK\$0.1 each

As at 31 December 2010 and 31 December 2011		3,000,000	300,000	259,112
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### Share premium

	RMB'000
As at 31 December 2010 and 31 December 2011	1,783,783

Notes:

(a) Share-based payments

(i) Pre-IPO share option scheme

The Company has adopted the Pre-IPO Share Option Scheme on 9 September 2010 (“Pre-IPO Option Scheme Adoption Date”). Under the Pre-IPO Share Option Scheme, the Company has conditionally granted to 121 grantees options to subscribe for up to 51,080,000 shares, representing approximately 1.67% of the total number of ordinary shares in issue on fully diluted basis (assuming the options pursuant to the scheme have been exercised in full.). Such options will vest in accordance with the following schedule: 30% upon the first anniversary of the Pre-IPO Option Scheme Adoption Date, an additional 30% upon the second anniversary and an additional 40% upon the third anniversary. The options are conditional on the employees’ service in the Group as at the exercise dates. A grantee may exercise any vested portion of his or her options prior to the end of a period of four years from the Pre-IPO Adoption Date, as a subscription price per share equal to 80% of the offer price of the Company’s shares in the initial public offering (i.e. 80% of HK\$3.48). As at 31 December 2011, no options had been exercised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 19 Share capital and share premium – Group and Company (continued)

### Share capital (continued)

Notes: (continued)

#### (a) Share-based payments (continued)

##### (ii) Post-IPO share option scheme

A Post-IPO Share Option Scheme was approved and adopted by all shareholders of the Company on the annual general meeting held on 29 April 2011 (the “Post-IPO Option Scheme Adoption Date”). The maximum number of shares in respect of which options (“Options”) may be granted should not exceed 99,900,000 shares, representing 3.33% of the total number of shares in issue as at the Post-IPO Scheme Adoption Date. The options are to be granted during a grant period of three years from the Post-IPO Option Scheme Adoption Date. Such options will vest in accordance with the following schedule: 30% upon the grant, an additional 30% upon the first anniversary of the Post-IPO Option Scheme Adoption Date and additional 40% upon the second anniversary. The options are not conditional on the employees’ performance target before an option can be exercised. The subscription price for each grant should be at least the higher of (1) the closing price of the shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets on the grant dates, (2) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange’s daily quotation sheets for the five business days immediately preceding the grant date, and (3) the nominal value of the shares of the Company. The Post-IPO Share Options, once vested, shall be exercisable within a period of three years from the Post-IPO Scheme Adoption Date or the most recent anniversary of the Post-IPO Scheme Adoption Date. On 30 September 2011, the Company has granted the first batch of options to subscribe up to 39,900 thousand shares of the Company, in which, options of 12,100 thousand shares were granted to executive directors.

The Group has no legal or constructive obligation to repurchase or settle all above mentioned options in cash.

Movement in the number of share options and their related weighted average exercise prices are as follows:

	2011		2010	
	Average price in HK\$ per share	Options (thousand)	Average price in HK\$ per share	Options (thousand)
At beginning of year	2.78	51,080	–	–
Granted	1.48	39,900	2.78	51,080
At end of year	2.21	90,980	2.78	51,080

As at 31 December 2011, 15,324 thousand shares in Pre-IPO Share Option Scheme and 11,970 thousand shares in Post-IPO Share Options Scheme are exercisable (2010: nil).

The weighted average fair value of options granted during the year determined using the Binomial valuation model was HK\$1.41 per option. The significant input into the model were weighted average share price of HK\$1.41 at the grant date, exercise price of HK\$1.484, volatility of 44.37%, dividend yield of 2.02%, an expected option life of 2.58 years and an annual risk-free interest rate of 0.289%. The expected volatility is determined by calculating the historical volatility of the price of listed companies with similar business to the Group. The expected dividend yield is determined by the Directors based on the expected future performance and dividend policy of the Group. The amortisation of share option of RMB38.7 million was recognised as staff costs in the consolidated income statements (Note 29).

## 20 Reserves

		The Group							
	Note	Share premium RMB '000	Other reserves RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Financial guarantee reserve RMB'000	Available-for-sale financial assets reserve RMB '000	Retained earnings RMB '000	Total RMB'000
<b>Year ended 31 December 2010</b>									
At 1 January 2010		-	1,393,432	(1,423,109)	151,271	(349)	-	1,247,758	1,369,003
Profit for the year		-	-	-	-	-	-	1,542,161	1,542,161
Acquisition of non-controlling interests		-	(108,827)	-	-	-	-	-	(108,827)
Dividends		-	-	-	-	-	-	(191,182)	(191,182)
Employees share option		-	9,513	-	-	-	-	-	9,513
Share issuance under global offering		1,976,364	-	-	-	-	-	-	1,976,364
Share issuance under capitalization issue		(192,581)	-	-	-	-	-	-	(192,581)
Transfer		-	(349)	-	-	349	-	-	-
Statutory reserve		-	-	-	142,897	-	-	(142,897)	-
Others		-	398	-	-	-	-	-	398
At 31 December 2010		1,783,783	1,294,167	(1,423,109)	294,168	-	-	2,455,840	4,404,849
<b>Year ended 31 December 2011</b>									
Profit for the year		-	-	-	-	-	-	2,356,168	2,356,168
Transaction with non-controlling interests	37	-	(8,044)	-	-	-	-	-	(8,044)
Employees share options	19	-	38,690	-	-	-	-	-	38,690
Statutory reserve		-	-	-	145,445	-	-	(145,445)	-
Change in fair value		-	-	-	-	-	212	-	212
At 31 December 2011		1,783,783	1,324,813	(1,423,109)	439,613	-	212	4,666,563	6,791,875

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 20 Reserves (continued)

	Note	The Company				Total RMB'000
		Share premium RMB'000	Financial guarantee reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
<b>Year ended 31 December 2010</b>						
At 1 January 2010		-	(349)	1,417,372	(4,452)	1,412,571
Loss for the year		-	-	-	(43,370)	(43,370)
Employees share options	19	-	-	9,513	-	9,513
Share issuance under global offering		1,976,364	-	-	-	1,976,364
Share issuance under capitalization issue		(192,581)	-	-	-	(192,581)
Transfer		-	349	(349)	-	-
At 31 December 2010		1,783,783	-	1,426,536	(47,822)	3,162,497
<b>Year ended 31 December 2011</b>						
Loss for the year		-	-	-	(23,588)	(23,588)
Employees share options	19	-	-	38,690	-	38,690
At 31 December 2011		1,783,783	-	1,465,226	(71,410)	3,177,599

Note:

(a) Statutory reserves

In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising the Group, 10% of its net profit as shown in the accounts prepared under PRC accounting regulations is required to be appropriated to statutory common reserve, until the reserve reaches 50% of the registered capital. Appropriation of statutory reserve must be made before distribution of dividends to equity holders.

This reserve shall only be used to make up losses; to expand the Company's production operation; or to increase the capital of the Company.

Upon approval by a resolution of an equity holders' general meeting, the Company may convert this reserve into share capital, provided that the unconverted remaining amount of reserve is not less than 25% of the registered capital.

The PRC entities of the Group directly owned by the Group's entities outside the PRC are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the revised Articles of Association of these companies, to make appropriations from net profit to the reserve fund and staff and workers' bonus and welfare fund, after offsetting accumulated losses from prior year, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above funds is solely determined by the board of directors of the PRC entities now comprising the Group. For those which are wholly foreign owned enterprises in the PRC, no less than 10% of the profit of each year to the reserve fund is mandatory. The appropriation of the statutory reserve ceases when the accumulated statutory reserve balance reaches 50% of their registered capital.

## 21 Trade and other payables

	31 December 2011 RMB'000	31 December 2010 RMB'000
Trade payables (Note (a))	3,132,703	1,498,202
Other taxes payable	1,620,203	768,870
Other payables	218,979	156,426
Payable for consideration of prior years' equity acquisition (Note (b))	152,415	–
Payroll and welfare payables	88,597	23,316
	<b>5,212,897</b>	<b>2,446,814</b>

Note (a):

The ageing analysis of the Group's trade payables is as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Within 90 days	1,656,060	686,900
90-180 days	636,329	55,431
180-365 days	208,961	188,802
Over 365 days	631,353	567,069
	<b>3,132,703</b>	<b>1,498,202</b>

Note (b):

Sunac Zhidi had acquired the 50% equity interest in Beijing Sunac Hengji from Sunco Land (Beijing) Real Estate Development Co. Ltd. ("Sunco Land") in August 2007. According to the agreement with Sunco Land, the consideration for this acquisition is 50% of the Group's share of profit from Beijing Sunac Hengji attributable to the then existing project named East Fairyland in Beijing Shouchi Yuda Real Estate Development Co., Ltd. ("Shouchi Yuda"), the wholly owned subsidiary of Beijing Sunac Hengji.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 22 Borrowings

	31 December 2011 RMB'000	31 December 2010 RMB'000
<b>Non-current</b>		
Secured, borrowed from:		
– Banks	7,098,600	3,580,113
– Other financial institutions	3,650,000	1,237,620
– Third parties	530,000	600,000
Unsecured, borrowed from:		
– Banks	–	4,000
	<b>11,278,600</b>	<b>5,421,733</b>
Less: Current portion of long-term borrowings	<b>(1,957,900)</b>	<b>(796,620)</b>
	<b>9,320,700</b>	<b>4,625,113</b>
<b>Current</b>		
Secured, borrowed from:		
– Banks	–	225,000
– Other financial institutions	250,000	–
Unsecured, borrowed from:		
– Other financial institutions	46,000	46,000
Current portion of long-term borrowings	1,957,900	796,620
	<b>2,253,900</b>	<b>1,067,620</b>
<b>Total borrowings</b>	<b>11,574,600</b>	<b>5,692,733</b>

In 2011, certain subsidiaries of the Company have entered into two fund arrangements with two financial institutions (the “Trustees”) respectively. Pursuant to the fund arrangements, the Trustees raised trust funds of RMB600 million and RMB600 million respectively and injected the funds to real estate property development subsidiaries of the Company named Chongqing Sunac Shangfeng Real Estate Co., Ltd. (“Chongqing Sunac Shangfeng”) and Beijing Sunac Jiye Real Estate Co., Ltd. (“Beijing Sunac Jiye”). According to the agreements, Chongqing Sunac Shangfeng and Beijing Sunac Jiye should repay the principals and the fixed interests of the funds to the Trustees upon the maturity of the funds in January 2013 and December 2012 respectively. The total principal of the funds of RMB1,200 million as at 31 December 2011 are recognised as borrowings of the Group. 50% equity interest of Chongqing Sunac Shangfeng and 49% of Beijing Sunac Jiye are legally transferred to the Trustees as collateral.

As at 31 December 2011, the Group’s borrowings of RMB11,529 million (as at 31 December 2010: RMB5,643 million) were secured or jointly secured by certain Group’s properties under development, completed properties held for sale and investment properties totalling RMB14,658 million (as at 31 December 2010: RMB3,757 million), the Group’s equity interests of certain subsidiaries (including those legally transferred as collateral) or third party guarantee.

## 22 Borrowings (continued)

### (a) Long-term borrowings

The Group's borrowings as at 31 December 2011 were repayable as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Within 1 year	1,957,900	796,620
Between 1 and 2 years	6,069,700	2,134,300
Between 2 and 5 years	3,251,000	2,490,813
	<b>11,278,600</b>	<b>5,421,733</b>

The weighted-average effective interest rates for the year ended 31 December 2011 was 8.47% (year ended 31 December 2010: 7.41%).

### (b) The exposure of the Group's borrowings with variable interest rates to interest-rate changes and the contractual reprising dates are as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
6 months or less	6,930,000	340,000
6-12 months	220,000	2,715,113
	<b>7,150,000</b>	<b>3,055,113</b>

### (c) As at 31 December 2011, the Group had the following committed undrawn banking facilities:

	31 December 2011 RMB'000	31 December 2010 RMB'000
– Expiring within one year	578,000	1,040,000
– Expiring beyond one year	1,839,950	–
	<b>2,417,950</b>	<b>1,040,000</b>

### (d) The carrying amounts of all the Group's borrowings are denominated in RMB and approximate their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 23 Revenue

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Sales of properties	10,433,205	6,593,575
Rental income	17,851	19,232
Property management service income	152,991	40,952
	10,604,047	6,653,759

## 24 Loss from fair value of investment properties, net

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Fair value losses	75,900	–

## 25 Expenses by nature

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Cost of properties sold:		
– Land use rights costs	2,596,776	747,027
– Construction costs	3,394,763	2,395,537
– Business tax and related surcharges (Note 26)	592,133	358,149
– Capitalised interests	321,894	231,884
– Other costs	132,008	43,011
Staff costs (Note 29)	225,208	83,230
Advertisement and promotion costs	223,919	70,196
Office and travel expenses	52,266	32,284
Other tax expenses	28,414	21,439
Consulting expenses	24,185	5,040
Entertainment expense	22,056	10,913
Depreciation and amortisation	13,644	10,271
Audit fee	3,000	2,000
Others	22,477	29,245
Total cost of sales, selling and marketing costs and administrative expenses	7,652,743	4,040,226

## 26 Business tax and related surcharges

The PRC companies now comprising the Group are subject to business tax on their revenues at the following rates:

Types	Tax rate	Tax bases
a) Business tax	5%	– Sales of properties – Rental income – Property management services revenue
b) Urban construction and maintenance tax	7%	Business tax paid
c) Education surcharge	3%	Business tax paid
d) Local education surcharge	0%-2%	Business tax paid
e) Anti-flood fund	0%-1%	Business tax paid

## 27 Other income

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Government grants	7,722	–
Investment income from loans to associates and jointly controlled entities	5,554	18,621
Others	5,040	5,790
	18,316	24,411

## 28 Other expenses

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Donations	4,693	–
Compensation to customers	2,123	853
Others	724	987
	7,540	1,840

## 29 Staff costs

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Wages and salaries	156,513	60,516
Pension costs	17,249	3,371
Other social security costs	–	4,936
Staff welfare	12,756	4,894
Share option amortisation (Note 19)	38,690	9,513
	225,208	83,230

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 30 Directors' and senior management's emoluments

### (a) Directors' and senior management's emoluments

The Directors' emoluments are set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share options expenses RMB'000	Other benefits including pension RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
<b>Year ended 31 December 2011:</b>							
Sun Hongbin	-	1,676	-	2,704	-	-	4,380
Wang Mengde	-	734	-	2,469	58	-	3,261
Li Shaozhong	-	980	-	2,670	58	-	3,708
Chi Xun	-	981	-	2,704	58	-	3,743
Shang Yu	-	919	-	2,469	54	-	3,442
Hu Xiaoling	-	-	-	-	-	-	-
Zhu Jia	-	-	-	-	-	-	-
Kan Lai Kuen*	111	-	-	-	-	-	111
Poon Chiu Kwok*	138	-	-	-	-	-	138
Li Qin	247	-	-	-	-	-	247
Ma Lishan	247	-	-	-	-	-	247
<b>Year ended 31 December 2010:</b>							
Sun Hongbin	-	1,348	-	670	-	-	2,018
Li Shaozhong	-	947	-	670	55	-	1,672
Wang Mengde	-	896	-	615	55	-	1,566
Chi Xun	-	873	-	670	55	-	1,598
Shang Yu	-	806	-	615	55	-	1,476

\* Ms. Kan Lia Kuen has resigned as independent non-executive director on 8 June 2011. Mr. Poon Chiu Kwok has replaced her as an independent non-executive director.

### 30 Directors' and senior management's emoluments (continued)

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included five and three directors for the years ended 31 December 2010 and 2011 whose emoluments are reflected in the analysis presented in Note 30(a) above. The emoluments payable to the remaining two individuals for the year ended 31 December 2011 are as follows:

	Year ended 31 December 2011 RMB'000
Salary and other benefit	1,974
Employees' share options expenses	5,173
Social security costs	125
<b>Total</b>	<b>7,272</b>

- (c) In the year ended 31 December 2011, no director or any of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, or as compensation for loss of office (year ended 31 December 2010: nil).

### 31 Finance income and costs

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Interest expenses on:		
– Bank borrowings	424,989	188,275
– Borrowings from non-bank financial institutions	393,273	95,642
– Borrowings from third parties	113,793	82,305
	932,055	366,222
Exchange loss	20,888	51,727
Other financial cost	36,809	5,037
Finance costs:	989,752	422,986
Less: Capitalised interests	(787,722)	(236,230)
	202,030	186,756
Finance income:		
– Interest income on bank deposits	(18,687)	(18,504)
<b>Net finance costs</b>	<b>183,343</b>	<b>168,252</b>

The capitalisation rate used to determine the amount of the interest incurred eligible for capitalisation in 2011 was 7.2% (2010: 4.86%).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 32 Income tax expenses

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Corporate income tax charge ("CIT")		
– Current income tax	1,009,987	731,380
– Deferred income tax	(299,809)	(181,796)
	710,178	549,584
Land appreciation tax ("LAT")	435,042	506,548
	1,145,220	1,056,132

### (a) CIT

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Profit before income tax	3,528,292	2,597,123
Income tax calculated at statutory rate	882,073	649,281
LAT deduction	(108,760)	(126,637)
Income not subject to tax	(201,381)	(32,318)
Non-deductible expenses	67,556	14,405
Others	70,690	44,853
	710,178	549,584

Pursuant to the applicable rules and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Company and the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

### 32 Income tax expenses (continued)

#### (a) CIT (continued)

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the year ended 31 December 2011 based on existing legislations, interpretations and practices.

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the Mainland China. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of their earnings generated from 1 January 2008.

#### (b) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the consolidated income statements as income tax expense.

### 33 Earnings per share

#### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2011	2010
Profit attributable to owners of the parent (RMB'000)	2,356,168	1,542,161
Weighted average number of ordinary shares in issue (thousand)	3,000,000	2,424,658



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 33 Earnings per share (continued)

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2011	2010
Profit attributable to owners of the parent (RMB'000)	2,356,168	1,542,161
Weighted average number of ordinary shares in issue (thousand)	3,000,000	2,424,658
Adjusted for Share options (thousand)	3,509	1,512
Weighted average number of ordinary shares for diluted earnings per share (thousand)	3,003,509	2,426,170

The exercise price of the outstanding Pre-IPO share options granted by the Company was higher than the current market price of the Company's shares and the conversion of the outstanding Pre-IPO share options would have anti-dilutive effect on earnings per share. Therefore, the diluted earnings per share has only considered the potential dilutive shares on the Post-IPO share options granted for the year ended 31 December 2011.

### 34 Cash used in operations

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Profit before income taxes	3,528,292	2,597,123
Adjustments for:		
– Finance costs	202,030	186,756
– Gain on disposal of property, plant and equipment (“PPE”)	(474)	(2,116)
– Gain on disposal of financial assets	–	(13)
– Gain from fair value change of investment properties, net	75,900	–
– Amortisation of intangible assets	6,148	5,950
– Depreciation	7,496	4,321
– Gain from re-measurement of previously held interests	(835,430)	–
– Share of profit from associates and jointly control entities	9,975	(129,271)
– Amortization of share options expenses	38,690	9,513
Changes in working capital		
– Restricted cash on advanced proceeds	(595,992)	–
– Properties under development and completed properties held for sale, net	(7,013,234)	(3,234,056)
– Trade and other receivables and prepayments	215,537	45,303
– Trade and other payables	2,931,845	(733,627)
Cash used in operations	(1,429,217)	(1,250,117)

In the cash flow statement, proceeds from sale of PPE comprise:

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Net book amount (Note 7)	961	1,022
Gains on disposal of PPE	474	2,116
Proceeds from disposal of PPE	1,435	3,138

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 35 Commitments

(a) Property development expenditure at the balance sheet date but not yet incurred is as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Property development expenditure		
– Contracted but not provided for	2,802,419	1,322,599
– Authorised but not contracted	20,397,774	13,782,381
	23,200,193	15,104,980
Investment in new associates		
– Contracted but not provided for (Note (i))	656,600	–
– Authorised but not contracted (Note (ii))	1,137,400	575,460
	1,794,000	575,460
	24,994,193	15,680,440

Note:

- (i) This is the commitment of a loan to the associate Poly Sunac for the property development (Note 11(a)).
- (ii) As disclosed in Note 11(b), the Group will contribute totalling RMB1,137.4 million to the new project associate.

### (b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of certain office buildings under non-cancellable operating leases contracts are payable in the following periods:

	31 December 2011 RMB'000	31 December 2010 RMB'000
No later than 1 year	6,258	1,749
Later than 1 year and no later than 5 years	–	–
	6,258	1,749

## 36 Financial guarantee

### (a) Guarantee on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	1,975,718	3,769,624

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of two to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the mortgage. The directors consider that the likelihood of default of payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

- (b) There was no corporate guarantee provided to the Group's subsidiaries by the Company in respect of bank borrowings as at 31 December 2011 (as at 31 December 2010: nil). The Directors consider the subsidiaries to be sufficiently financially resourced to settle their obligations.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 37 Transactions with non-controlling interest

### (a) Disposal of interest in a subsidiary without loss of control

On 27 June 2011, Wuxi Sunac Real Estate, a wholly owned subsidiary of the Company, entered into a “Capital Increase Agreement” with an independent third party. Pursuant to the agreement, the third party acquired from Wuxi Sunac Real Estate 28.57% equity interest of its wholly owned subsidiary Wuxi Sunac City by a contribution of RMB200 million to Wuxi Sunac City for increasing its registered capital. After the transaction, Wuxi Sunac City became a 71.43% owned subsidiary of the Company.

	RMB'000
Total equity of Wuxi Sunac City before the transaction	528,153
Add: Contribution by the non-controlling interest	200,000
<hr/>	
Total equity of Wuxi Sunac City after the transaction	728,153
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Equity attributable to the non-controlling interest after the transaction	208,044
Less: Contribution received from the non-controlling interest	200,000
<hr/>	
Loss on disposal within equity	8,044
<hr/>	

### (b) Effects of the transaction with the non-controlling interest

Total comprehensive income for the year attributable to owners of the Company	2,356,380
Net effect for the transaction with the non-controlling interest on equity attributable to owners of the Company	(8,044)
<hr/>	
	2,348,336
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### 38 Business combination

#### (a) Acquisition of additional equity interest in jointly controlled entity, Chongqing Yatai

On 1 January 2011, the wholly owned subsidiary of the Group, Sunac Zhidi, acquired an additional 40% equity interest in Chongqing Yatai from Chongqing Yuneng Real Estate (Group) Co., Ltd., one of the third party shareholders of Chongqing Yatai. The consideration is RMB319,848,000.

The Group had a 45% equity interest in the jointly controlled entity, Chongqing Yatai, as at 31 December 2010. Upon the completion of the above transaction, the Group obtained the control in Chongqing Yatai and Chongqing Yatai became an 85% owned subsidiary of the Group. Details of net assets acquired and goodwill are as follows:

	RMB'000
Fair value of the 45% equity interest as at the acquisition date	359,829
Less: Carrying value of the investment in Chongqing Yatai	(178,539)
Gain on re-measuring	181,290

Details of net assets of Chongqing Yatai acquired and goodwill are as follows:

	RMB'000
Fair value of 45% equity interest of Chongqing Yatai	359,829
Consideration for additional 40% equity interest of Chongqing Yatai	319,848
	679,677
Less: Fair value of 85% net assets – shown as below	(678,759)
Goodwill	918

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 38 Business combination (continued)

### (a) Acquisition of additional equity interest in jointly controlled entity, Chongqing Yatai (continued)

The fair value of the assets and liabilities arising from the acquisition are as follows:

	RMB'000
Cash and cash equivalents	280,580
Property, plant and equipment	2,249
Intangible assets	311
Properties under development and completed properties held for sale	1,744,000
Other receivables	100,417
Amount due from Sunac Zhidi	450,104
Deferred tax assets	1,421
Trade and other payables	(127,392)
Advances proceeds from customers	(701,465)
Borrowings	(303,710)
Current income tax liabilities	(66,919)
Deferred tax liabilities	(581,057)
Net assets	798,539
Less: Non-controlling interest	(119,780)
Fair value of total net assets owned by the Group	678,759
Purchase consideration settled by cash (note a)	–
Cash and cash equivalents in subsidiary acquired	280,580
Cash inflow on acquisition	280,580

Note a: The purchase consideration has been settled in 2010.

### 38 Business combination (continued)

#### (b) Acquisition of additional equity interest in the associate, Beijing Sunac Hengji

On 27 September 2011, the wholly owned subsidiary of the Group, Sunac Zhidi, acquired the outstanding 50% equity interest in Beijing Sunac Hengji. As a result, Beijing Sunac Hengji became a wholly owned subsidiary of the Group.

Prior to this acquisition, on 4 December 2008, Sunac Zhidi had entered into an agreement with the third party investor of Beijing Sunac Hengji, Beijing Shougang Real Estate Development Co., Ltd. (“Beijing Shougang”), about investment in the West Chateau project in Beijing Sunac Hengji. According to the agreement, the funds were provided by Sunac Zhidi and Beijing Shougang in form of shareholders’ loans to Beijing Sunac Hengji at the ratio of 20% and 80% respectively. It is also agreed that from the commencement of the project, 65% and 35% of the net profits from the West Chateau project are attributable to Beijing Shougang and Sunac Zhidi respectively.

	RMB'000
Fair value of the equity interest held	
by the Group as at the acquisition date	761,000
Less: Carrying value of the investment in Beijing Sunac Hengji	<u>(106,860)</u>
Gain on re-measuring	<u>654,140</u>

Details of net assets of Beijing Sunac Hengji acquired and goodwill are as follows:

	RMB'000
Fair value of the equity interest held	
by the Group as at the acquisition date	761,000
Consideration for additional equity interest of Beijing Sunac Hengji	<u>1,450,000</u>
	2,211,000
Less: Fair value of 100% net assets – shown as below	<u>(2,201,983)</u>
Goodwill	<u>9,017</u>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 38 Business combination (continued)

### (b) Acquisition of additional equity interest in associate, Beijing Sunac Hengji (continued)

The fair value of the assets and liabilities arising from the acquisition are as follows:

	RMB'000
Cash and cash equivalents	791,281
Property, plant and equipment	3,300
Properties under development and completed properties held for sale	7,894,998
Other receivables	104,461
Amount due from Sunac Zhidi	170,000
Deferred tax assets	52,725
Trade and other payables	(155,765)
Advances proceeds from customers	(2,038,016)
Borrowings	(2,400,000)
Current income tax liabilities	(32,747)
Deferred tax liabilities	(2,188,254)
Net assets	2,201,983
Fair value of total net assets owned by the Group	2,201,983
Purchase consideration settled by cash	(1,450,000)
Cash and cash equivalents in subsidiary acquired	791,281
Cash outflow on acquisition	(658,719)

The consideration for the additionally acquired equity interest of Beijing Sunac Hengji has been paid up as of 31 December 2011.

### 39 Related party transactions

The Group is controlled by Sunac International Investment Holdings Ltd. (“Sunac International”), which owns 51.85% of the Company’s shares and is controlled by Mr. Sun Hongbin. The ultimate controlling party of the Group is Mr. Sun Hongbin. The remaining 48.15% of the shares are widely held.

#### (a) Name and relationship with related parties

Name	Relationship
Mr. Sun Hongbin	The controlling shareholder and the director of the Company
Sunac International	Equity holder of the Company and controlled by Mr. Sun Hongbin
Poly Sunac	Associate
APEV Property Management	Jointly controlled entity
Chongqing Yatai	Jointly controlled entity of the Company prior to 1 January 2011(Note 38(a))
Beijing Sunac Hengji	Associate of the Company prior to 27 September 2011 (Note 38(b))

#### (b) Transactions with related parties

During the year ended 31 December 2011, the Group had the following significant transactions with related parties:

		The Group Year ended 31 December	
		2011 RMB'000	2010 RMB'000
(i)	Receiving of funds		
	– Chongqing Yatai	–	503,550
	– Beijing Sunac Hengji	161,540	131,520

		The Group Year ended 31 December	
		2011 RMB'000	2010 RMB'000
(ii)	Interest income		
	– Beijing Sunac Hengji	5,887	22,186

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 39 Related party transactions (continued)

### (b) Transactions with related parties (continued)

	The Group Year ended 31 December	
	2011 RMB'000	2010 RMB'000
(iii) Dividends received – Beijing Sunac Hengji	181,089	–

	The Group and the Company Year ended 31 December	
	2011 RMB'000	2010 RMB'000
(iv) Dividends to Sunac International	–	191,182

In the opinion of the Directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

### (c) Key management compensation

Key management mainly represent the Company's executive directors, their compensation have been disclosed in Note 30 of the financial statements.

### (d) Related party balances

	31 December 2011 RMB'000	31 December 2010 RMB'000
Amounts due from related parties – Beijing Sunac Hengji	–	7
Amounts due to related parties – Poly Sunac – Chongqing Yatai	(66,150) –	– 450,104

As at 31 December 2011, amounts due to related parties are unsecured, have no fixed terms of repayment, and are cash advances in nature.

## 40 Interests in subsidiaries

	The Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Investments, at cost	48,277	9,587
Quasi-equity loans	3,392,124	1,403,910
	3,440,401	1,413,497

Quasi-equity loans are made by the Company to its immediate subsidiaries for their further equity investments in the PRC operating entities.

Particulars of the subsidiaries of the Group as at 31 December 2011 are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest				Principal activities
			31 December 2010		31 December 2011		
			Directly	Indirectly	Directly	Indirectly	
<b>Incorporated in the British Virgin Islands:</b>							
Sunac Real Estate Investment Holdings Ltd.	2 January 2007	US\$10,000	100%	–	100%	–	Investment holding
Qiwei Real Estate Investment Holdings Ltd.	6 June 2007	US\$1	100%	–	100%	–	Investment holding
Yingzi Real Estate Investment Holdings Ltd.	31 August 2007	US\$1	100%	–	100%	–	Investment holding
Jujin Real Estate Investment Holdings Ltd.	6 September 2007	US\$1	100%	–	100%	–	Investment holding
Dingsheng Real Estate Investment Holdings Ltd.	6 September 2007	US\$1	100%	–	100%	–	Investment holding
Zhuoyue Real Estate Investment Holdings Ltd.	13 September 2007	US\$1	100%	–	100%	–	Investment holding
<b>Incorporated in Hong Kong:</b>							
Jujin Property Investment Holdings Ltd.	14 September 2007	HK\$1	–	100%	–	100%	Investment holding
Dingsheng Property Investment Holdings Ltd. ("Dingsheng Property")	14 September 2007	HK\$1	–	100%	–	100%	Investment holding
Zhuoyue Property Investment Holdings Ltd. ("Zhuoyue Property")	20 September 2007	HK\$1	–	100%	–	100%	Investment holding

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 40 Interests in subsidiaries (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest				Principal activities
			31 December 2010		31 December 2011		
			Directly	Indirectly	Directly	Indirectly	
<b>Incorporated in the PRC:</b>							
Tianjin Sunac Real Estate Investment Management Co., Ltd.	6 February 2007	RMB460 million	-	100%	-	100%	Investment holding
Tianjin Qiwei Real Estate Investment Management Co., Ltd.	20 July 2007	RMB225 million	-	100%	-	100%	Investment holding
Tianjin Yingzihuijin Property Management Ltd.	26 September 2007	RMB220 million	-	100%	-	100%	Investment holding
Tianjin Jujin Property Management Ltd.	31 October 2007	RMB200 million	-	100%	-	100%	Investment holding
Tianjin Dingsheng Juxian Property Management Ltd.	31 October 2007	RMB200 million	-	100%	-	100%	Investment holding
Tianjin Zhuoyue Property Management Ltd.	31 October 2007	US\$15 million	-	100%	-	100%	Investment holding
Tianjin Sunac Huijie Zhidi Co., Ltd.	21 January 2011	HKD700 million	-	-	-	100%	Real estate development
Tianjin Sunac Dingsheng Zhidi Co., Ltd.	4 January 2011	HKD1,700 million	-	-	-	100%	Real estate development
Sunac Zhidi	31 January 2003	RMB900 million	-	100%	-	100%	Real estate development and investment
Tianjin Jujin Hengxin Commercial Co., Ltd.	8 December 2010	US\$40 million	-	100%	-	100%	Property management services
Sunac Ao Cheng	25 February 2003	RMB222 million	-	100%	-	100%	Real estate development and investment
Tianjin Sunac Mingxiang Investment Development Co., Ltd. ("Sunac Mingxiang")	6 April 2010	RMB1,200 million	-	100%	-	100%	Real estate development
Tianjin Xiangchi Investment Co., Ltd.	25 September 2006	RMB160 million	-	100%	-	100%	Real estate development
Wuxi Sunac Investment Co. Ltd.	28 July 2010	RMB5 million	-	100%	-	100%	Real estate development and investment
Wuxi Sunac Real Estate	27 February 2004	RMB204.1 million	-	100%	-	100%	Real estate development and investment
Wuxi Sunac City	11 May 2005	RMB448 million	-	100%	-	71.43%	Real estate development

#### 40 Interests in subsidiaries (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest				Principal activities
			31 December 2010		31 December 2011		
			Directly	Indirectly	Directly	Indirectly	
<b>Incorporated in the PRC (continued):</b>							
Suzhou Chunshen Lake Property Development Co. Ltd.	8 February 2005	RMB140 million	–	100%	–	100%	Real estate development
Yixing Sunac Dongjiu Real Estate Co., Ltd.	9 March 2010	RMB800 million	–	100%	–	100%	Real estate development
Chongqing Jiye	24 April 2004	RMB180 million	–	100%	–	100%	Real estate development and investment
Chongqing Yatai	2 January 2011	RMB280 million	–	45%	–	85%	Real estate development
Chongqing Sunac Shangfeng	21 February 2011	RMB600 million	–	–	–	100%	Real estate development
Beijing Sunac Hengji	27 September 2011	RMB100 million	–	50%	–	100%	Real estate development and investment
Shouchi Yuda	27 September 2011	RMB20 million	–	50%	–	100%	Real estate development
Beijing Sunac Construction Investment Real Estate Co., Ltd	16 August 2010	RMB10 million	–	100%	–	100%	Real estate development and investment
Beijing Sunac Jiye	1 June 2011	RMB204 million	–	100%	–	100%	Real estate development
Langfang Sunac Zhiye Co., Ltd.	11 July 2011	RMB10 million	–	–	–	100%	Real estate development
Tianjin Sunac Yingrun Equity Investment Fund Management Co., Ltd. (“Sunac Yingrun”)	11 July 2011	RMB20 million	–	–	–	100%	Investment Management
Tianjin Sunac Property Management Co. Ltd.	21 March 2010	RMB10 million	–	100%	–	100%	Property Management Services and Investment
Sunac Zhidi (Tianjin) Business Operation Management Co., Ltd.	21 March 2010	RMB5 million	–	100%	–	100%	Property management services
Chongqing Sunac Property Management Co., Ltd.	21 March 2010	RMB5 million	–	100%	–	100%	Property management services
Jintan Sunac Plants and Flowers Co., Ltd.	14 July 2010	RMB0.5 million	–	100%	–	100%	Service of maintenance plants and flowers for the property projects
Chongqing Sunac Business Operation Management Co.Ltd	21 March 2010	RMB0.5 million	–	100%	–	100%	Property management services

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 41 Financial Instruments by category – Group and Company

### (a) The Group

	Loans and receivables	
	31 December 2011 RMB'000	31 December 2010 RMB'000
<b>Assets as per balance sheet</b>		
Other receivables excluding prepayments of tax	557,679	18,528
Restricted cash	1,103,719	291,056
Cash and cash equivalents	2,763,386	3,957,952
	<b>4,424,784</b>	<b>4,267,536</b>

	Available-for-sales financial assets	
	31 December 2011 RMB'000	31 December 2010 RMB'000
<b>Assets as per balance sheet</b>		
Available for sale financial assets	10,212	–

	Financial liabilities at amortised costs	
	31 December 2011 RMB'000	31 December 2010 RMB'000
<b>Liabilities as per balance sheet</b>		
Borrowings	11,574,600	5,692,733
Amount due to a related party	66,150	450,104
Trade and other payables excluding statutory liabilities	3,504,097	1,654,628
	<b>15,144,847</b>	<b>7,797,465</b>

41 Financial Instruments by category – Group and Company (continued)

(b) The Company

	Loans and receivables	
	31 December 2011 RMB'000	31 December 2010 RMB'000
<b>Assets as per balance sheet</b>		
Amount due from subsidiaries	64	234,592
Other receivables excluding prepayments	1,195	26
Cash and cash equivalents	17,897	1,805,707
	<b>19,156</b>	<b>2,040,325</b>

	Financial liabilities at amortised costs	
	31 December 2011 RMB'000	31 December 2010 RMB'000
<b>Liabilities as per balance sheet</b>		
Other payables excluding statutory liabilities	11,170	23,722
Amount due to subsidiaries	11,676	8,491
	<b>22,846</b>	<b>32,213</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 42 Dividends

A final dividend in respect of the year ended 31 December 2011 of RMB0.0785 per share, amounting to a total dividend of RMB235,617,000, is to be proposed at the annual general meeting of the Company expected to be held on 18 May 2012.

	2011 RMB '000	2010 RMB '000
Interim dividend paid	–	191,182
Proposed final dividend RMB0.0785 per ordinary share	235,617	–
	235,617	191,182

## 43 Events after the balance sheet date

### (1) Acquisition of new equity interest

On 5 January 2012, one of the wholly owned subsidiaries of the Company, Sunac Zhidi, entered into an “Equity Transfer Agreement” with Greentown Real Estate Co., Ltd. (“Greentown”), pursuant to which Sunac Zhidi agreed to acquire 51% equity interest owned by Greentown in its subsidiary namely Hubin Real Estate at a cash consideration of RMB51 million. Following the completion of this transaction, Hubin Real Estate will be held as to 51% by Sunac Zhidi and 49% by Greentown respectively. Details of the acquisition are set out in the announcement of the Company dated 5 January 2012.

The Company is currently assessing the assets and liabilities of Hubin Real Estate in accordance with HKFRSs.

### (2) Equity Cooperation with a third party

In January 2012, a wholly owned subsidiary of the Company, Sunac Yingrun, has subscribed a subordinated unit trust of RMB100 million by cash. This trust fund (“Trust Fund Scheme”) established by Daye Trust Co., Ltd. (“Daye Trust”) was for the development for the Sunac Mingxiang project.

On 21 March 2012, a wholly owned subsidiary of the Company, Sunac Zhidi, entered into an Equity Cooperative Agreement with Daye Trust to transfer its 49.5586% equity interest in Sunac Mingxiang, another wholly owned subsidiary of the Company directly owned by Sunac Zhidi, to Daye Trust for a consideration of RMB594,703,200. Pursuant to the agreement, Sunac Zhidi will subscribe the subordinated unit trusts of the Trust Fund Scheme by assign to Daye Trust an account receivable of RMB200 million due from Sunac Mingxiang. As security for the repayment of the RMB200 million receivable due from Sunac Mingxiang, (1) Sunac Mingxiang will pledge certain of its land use rights to Daye Trust; (2) Sunac Zhidi will pledge its equity interests in Sunac Mingxiang to Daye Trust; and (3) Sunac Zhidi will grant a financial guarantee to Daye Trust. It is agreed that if Daye Trust raises any additional fund to Sunac Mingxiang, Sunac Zhidi will contribute the corresponding amount to Sunac Mingxiang to keep the consistent equity interest proportion.

After the transaction, the Group equity interest in Sunac Mingxiang would decrease from 100% to 50.4414%. The Group is still in the process of assessing the accounting impact of the transaction.

*The following is the text of a report for the JV Target Group received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



羅兵咸永道

30 October 2012

The Directors  
Sunac China Holdings Limited

Dear Sirs,

We report on the combined financial information of the companies as set out in Note 1(b) of Section I below (the “JV Target Group”), which comprises the combined balance sheets of the JV Target Group as at 31 December 2009, 2010 and 2011 and 30 June 2012, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the JV Target Group for each of the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 (the “Relevant Periods”) and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Sunac China Holdings Limited (the “Company”) and is set out in Sections I to II below for inclusion in Appendix II to the circular of the Company dated 30 October 2012 (the “Circular”) in connection with the proposed acquisition of the JV Target Group by the Company.

Pursuant to a cooperation framework agreement (the “Cooperation Framework Agreement”) entered into on 22 June 2012 between Tianjin Sunac Zhidi Co., Ltd. (“Sunac Zhidi”), a wholly-owned subsidiary of the Company, and Greentown Real Estate Group Co., Ltd. (“Greentown Real Estate”), Sunac Zhidi agreed to acquire 50% of the equity interests in the target companies (“Target Companies”) now comprising the JV Target Group held by Greentown Real Estate and 50% of certain amounts due to Greentown Real Estate by the Target Companies, from Greentown Real Estate. Particulars of the companies comprising the JV Target Group set out in Note 1(b) of Section I below.

The audited financial statements of the companies now comprising the JV Target Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section I.

.....  
*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

The directors of Greentown Real Estate have prepared the combined financial statements of the JV Target Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Company and Greentown Real Estate.

The directors of Greentown Real Estate are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs, and for such internal control as the directors of Greentown Real Estate determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1(c) of Section I below.

#### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(c) of Section I below and in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2011.

#### **REPORTING ACCOUNTANT'S RESPONSIBILITY**

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

#### **OPINION**

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1(c) of Section I below, a true and fair view of the combined state of affairs of the JV Target Group as at 31 December 2009, 2010 and 2011 and 30 June 2012 and of the JV Target Group's combined results and cash flows for the Relevant Periods then ended.

**REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION**

We have reviewed the stub period comparative financial information set out in Section I below included in Appendix I to the Circular which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined cash flow statement of the JV Target Group for the six months ended 30 June 2011 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 1(c) of Section I below and the accounting policies set out in Note 2 of Section I below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2011.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our 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 HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 1(c) of Section I below, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section I below.

## I FINANCIAL INFORMATION OF THE JV TARGET GROUP

The following is the financial information of the JV Target Group as at 31 December 2009, 2010 and 2011 and 30 June 2012 and for each of the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012 (the "Financial Information"):

## Combined Balance Sheets

	Note	2009 RMB'000	As at 31 December 2010 RMB'000	2011 RMB'000	As at 30 June 2012 RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	6,744	11,244	10,723	7,498
Investments in an associate	30	–	34,681	90,050	90,077
Investments in a jointly controlled entity	31	–	181,429	217,353	206,594
Deferred income tax assets	6	9,478	11,558	25,296	63,289
		<u>16,222</u>	<u>238,912</u>	<u>343,422</u>	<u>367,458</u>
<b>Current assets</b>					
Properties under development	7	6,086,380	13,100,918	14,116,141	12,791,638
Completed properties held for sale	8	–	–	237,781	966,188
Prepayments	9	591,050	410,585	381,480	270,823
Trade and other receivables	10	282,198	981,238	342,474	332,661
Restricted cash	11	323,332	4,342	55,148	157,122
Cash and cash equivalents	12	188,414	445,118	98,116	204,572
		<u>7,471,374</u>	<u>14,942,201</u>	<u>15,231,140</u>	<u>14,723,004</u>
<b>Total assets</b>		<u><b>7,487,596</b></u>	<u><b>15,181,113</b></u>	<u><b>15,574,562</b></u>	<u><b>15,090,462</b></u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity owners of the JV Target Group</b>					
Combined capital and other reserves	13	676,300	1,907,423	1,884,311	1,930,211
Accumulated losses		(24,950)	(119,345)	(511,397)	(414,928)
		<u>651,350</u>	<u>1,788,078</u>	<u>1,372,914</u>	<u>1,515,283</u>
<b>Non-controlling interests</b>		<u>31,073</u>	<u>39,786</u>	<u>28,564</u>	<u>174,441</u>
<b>Total equity</b>		<u><b>682,423</b></u>	<u><b>1,827,864</b></u>	<u><b>1,401,478</b></u>	<u><b>1,689,724</b></u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	14	1,883,000	2,788,000	2,527,650	1,340,000
Deferred income tax liabilities	6	–	–	2,398	4,557
		<u>1,883,000</u>	<u>2,788,000</u>	<u>2,530,048</u>	<u>1,344,557</u>
<b>Current liabilities</b>					
Trade and other payables	15	4,906,006	8,966,301	8,932,980	7,917,852
Current income tax liabilities		16,167	18,948	65,606	374,679
Borrowings	14	–	1,580,000	2,644,450	3,763,650
		<u>4,922,173</u>	<u>10,565,249</u>	<u>11,643,036</u>	<u>12,056,181</u>
<b>Total liabilities</b>		<u><b>6,805,173</b></u>	<u><b>13,353,249</b></u>	<u><b>14,173,084</b></u>	<u><b>13,400,738</b></u>
<b>Total equity and liabilities</b>		<u><b>7,487,596</b></u>	<u><b>15,181,113</b></u>	<u><b>15,574,562</b></u>	<u><b>15,090,462</b></u>
<b>Net current assets</b>		<u><b>2,549,201</b></u>	<u><b>4,376,952</b></u>	<u><b>3,588,104</b></u>	<u><b>2,666,823</b></u>
<b>Total assets less current liabilities</b>		<u><b>2,565,423</b></u>	<u><b>4,615,864</b></u>	<u><b>3,931,526</b></u>	<u><b>3,034,281</b></u>

## Combined Statements of Comprehensive Income

	Note	Year ended 31 December			Six months ended	
		2009	2010	2011	30 June	
		RMB'000	RMB'000	RMB'000	2011	2012
					RMB'000	
					(unaudited)	
<b>Revenue</b>		–	–	1,333,034	–	2,382,910
Cost of sales	16	–	–	(972,134)	–	(1,620,265)
Loss on realisable value of properties under development	7	–	–	(428,082)	–	–
<b>Gross (loss)/profit</b>		–	–	(67,182)	–	762,645
Selling and marketing costs	16	(13,793)	(30,416)	(47,613)	(23,257)	(17,288)
Administrative expenses	16	(11,445)	(31,362)	(36,142)	(19,321)	(18,209)
Other income	18	–	36,142	14,725	7,349	8,211
Other expenses	19	(60)	(20)	(43,600)	(873)	(12,671)
<b>Operating (loss)/profit</b>		(25,298)	(25,656)	(179,812)	(36,102)	722,688
Finance income	22	2,915	5,464	1,548	938	626
Finance costs	22	(3,934)	(58,956)	(225,627)	(112,812)	(120,076)
Share of (loss)/profit of associate	30	–	(324)	36	(179)	27
Share of (loss)/profit of jointly controlled entity	31	–	(6,689)	(16,507)	(7,419)	(10,759)
<b>(Loss)/profit before income tax</b>		(26,317)	(86,161)	(420,362)	(155,574)	592,506
Income tax expenses	23	5,419	(1,521)	(90,038)	27,741	(350,160)
<b>(Loss)/profit for the year/period</b>		<u>(20,898)</u>	<u>(87,682)</u>	<u>(510,400)</u>	<u>(127,833)</u>	<u>242,346</u>
<b>Total comprehensive income</b>		<u>(20,898)</u>	<u>(87,682)</u>	<u>(510,400)</u>	<u>(127,833)</u>	<u>242,346</u>
<i>Attributable to:</i>						
Equity owners of the JV Target Group		(17,173)	(94,395)	(379,178)	(69,851)	96,469
Non-controlling interests		(3,725)	6,713	(131,222)	(57,982)	145,877
		<u>(20,898)</u>	<u>(87,682)</u>	<u>(510,400)</u>	<u>(127,833)</u>	<u>242,346</u>
<b>Dividends</b>	29	–	–	–	–	–

## Combined Statements of Changes in Equity

	Owners of the JV Target Group					
	Combined paid up capital of subsidiaries <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
<b>At 1 January 2009</b>	112,200	–	(7,777)	104,423	34,798	139,221
<b>Comprehensive income</b>						
Loss for the year	–	–	(17,173)	(17,173)	(3,725)	(20,898)
<b>Transactions with owners</b>						
Capital contributions	610,000	(45,900)	–	564,100	–	564,100
<b>At 31 December 2009</b>	722,200	(45,900)	(24,950)	651,350	31,073	682,423
<b>Comprehensive income</b>						
(Loss)/profit for the year	–	–	(94,395)	(94,395)	6,713	(87,682)
<b>Transactions with owners</b>						
Capital contributions	1,008,000	223,123	–	1,231,123	2,000	1,233,123
<b>At 31 December 2010</b>	1,730,200	177,223	(119,345)	1,788,078	39,786	1,827,864
<b>Comprehensive income</b>						
Loss for the year	–	–	(379,178)	(379,178)	(131,222)	(510,400)
<b>Transactions with owners</b>						
Capital contributions	–	84,014	–	84,014	–	84,014
Transactions with non- controlling interests	(120,000)	–	–	(120,000)	120,000	–
Statutory reserve	–	12,874	(12,874)	–	–	–
	(120,000)	96,888	(12,874)	(35,986)	120,000	84,014

	Owners of the JV Target Group					
	Combined paid up capital of subsidiaries <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
<b>At 31 December 2011</b>	1,610,200	274,111	(511,397)	1,372,914	28,564	1,401,478
<b>Comprehensive income</b>						
Profit for the period	–	–	96,469	96,469	145,877	242,346
<b>Transactions with owners</b>						
Capital contribution	–	45,900	–	45,900	–	45,900
<b>At 30 June 2012</b>	<u>1,610,200</u>	<u>320,011</u>	<u>(414,928)</u>	<u>1,515,283</u>	<u>174,441</u>	<u>1,689,724</u>
<i>(Unaudited)</i>						
At 1 January 2011	1,730,200	177,223	(119,345)	1,788,078	39,786	1,827,864
<b>Comprehensive income</b>						
Loss for the period	–	–	(69,851)	(69,851)	(57,982)	(127,833)
<b>Transactions with owners</b>						
Capital contribution	–	29,308	–	29,308	–	29,308
Transactions with non- controlling interests	(120,000)	–	–	(120,000)	120,000	–
	(120,000)	29,308	–	(90,692)	120,000	29,308
<b>At 30 June 2011</b>	<u>1,610,200</u>	<u>206,531</u>	<u>(189,196)</u>	<u>1,627,535</u>	<u>101,804</u>	<u>1,729,339</u>



## Combined Cash Flow Statements

	Note	Year ended 31 December			Six months ended 30 June	
		2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
<b>Cash flows from operating activities</b>						
Cash generated from/(used in) operations	24	(2,801,752)	(4,255,158)	(501,724)	1,470,772	345,158
PRC income tax paid		(16,911)	(118,809)	(179,092)	(163,738)	(167,285)
Net cash generated from/(used in) operating activities		(2,818,663)	(4,373,967)	(680,816)	1,307,034	177,873
<b>Cash flows from investing activities</b>						
Loans to related parties		(262,213)	(652,469)	(14,000)	–	–
Loans to non-controlling interests		(5,644)	(38,000)	(20,000)	–	–
Collection of loans to related parties		–	–	671,436	71,434	134,265
Purchases of property, plant and equipment		(2,700)	(6,707)	(2,336)	(1,680)	(349)
Proceeds from disposal of property, plant and equipment		39	24	–	–	2,268
Net cash (used in)/generated from investing activities		(270,518)	(697,152)	635,100	69,754	136,184
<b>Cash flows from financing activities</b>						
Proceeds from contributions from owners		564,100	1,010,000	(23,750)	–	–
Proceeds from third parties' borrowings		1,996,990	3,145,000	3,154,650	–	807,000
Proceeds from related parties' borrowings		2,256,500	2,892,073	555,499	261,000	159,627
Proceeds from non-controlling interests		–	–	130,000	50,000	–
Repayments of borrowings		(763,042)	(660,000)	(2,350,550)	(577,100)	(829,550)
Repayment of borrowings from related parties		(597,666)	(637,029)	(1,251,820)	(1,056,000)	(30,930)
Repayment of borrowings from non-controlling interests		(98,000)	(225,700)	–	–	–
Guarantee deposits for bank borrowings		(4,000)	(200)	(50,928)	(50,806)	(101,717)
Interests paid	11	(114,077)	(196,321)	(464,387)	(213,182)	(212,031)
Net cash generated from/(used in) financing activities		3,240,805	5,327,823	(301,286)	(1,586,088)	(207,601)
<b>Net increase/(decrease) in cash and cash equivalents</b>						
Cash and cash equivalents at beginning of year/period		36,790	188,414	445,118	445,118	98,116
<b>Cash and cash equivalents at end of year/period</b>	12	<b>188,414</b>	<b>445,118</b>	<b>98,116</b>	<b>235,818</b>	<b>204,572</b>

**NOTES TO THE FINANCIAL INFORMATION****1 GENERAL INFORMATION****(a) General**

According to the Cooperation Framework Agreement, Sunac Zhidi agreed to acquire an effective 50% of Greentown Real Estate's interests in its 8 property project companies as set out in note 1(b) below, of which 6 companies were previously subsidiaries, 1 company was an associate and 1 company was a jointly controlled entity of Greentown Real Estate. All the eight property project companies were managed together.

For the purpose of the transactions between Sunac Zhidi and Greentown Real Estate, the equity interest previously held by Greentown Real Estate will be injected into a new joint venture company (the "Joint Venture Company") jointly established by Sunac Zhidi and Greentown Real Estate and in which each of Sunac Zhidi and Greentown Real Estate will hold 50% equity interest. Sunac Zhidi has effective control over the majority of board of directors of the Joint Venture Company. Upon completion of the transactions, the Joint Venture Company will become a subsidiary of the Company.

**(b) Companies comprising the JV Target Group**

As at the date of this report, the details of the companies now comprising the JV Target Group is presented as follows:

Name of company	Place of incorporation	Date of incorporation	Registered capital (RMB million)	Equity interest held by the JV Target Group	Principal activities	Relationship with the JV Target Group	Name of statutory auditors*	
							2009	2010
Shanghai Huazhe Bund Real Estate Co., Ltd. ("Shanghai Huazhe")	Shanghai, the PRC	26 September 2002	50	51%	Real estate property development	Subsidiary	Shanghai Shenwei Certified Public Accountants 上海申威聯合會計師事務所	Shanghai Shenwei Certified Public Accountants 上海申威聯合會計師事務所
Shanghai Lvshun Real Estate Development Co., Ltd. ("Shanghai Lvshun")	Shanghai, the PRC	29 January 2010	1,000	100%	Real estate property development	Subsidiary	Shanghai Shenwei Certified Public Accountants 上海申威聯合會計師事務所	Shanghai Shenwei Certified Public Accountants 上海申威聯合會計師事務所
Suzhou Greentown Yuyuan Real Estate Development Co., Ltd. ("Suzhou Yuyuan")	Suzhou, the PRC	22 December 2009	250	90.5%	Real estate property development	Subsidiary	Jiangsu Xingzhongda CPAs Co., Ltd. 江蘇新中大會計師事務所有限公司	Jiangsu Xingzhongda CPAs Co., Ltd. 江蘇新中大會計師事務所有限公司
Suzhou Greentown Rose Garden Real Estate Development Co., Ltd. ("Suzhou Rose Garden")	Suzhou, the PRC	7 December 2009	360	66.67%	Real estate property development	Subsidiary	Jiangsu Xingzhongda CPAs Co., Ltd. 江蘇新中大會計師事務所有限公司	Jiangsu Xingzhongda CPAs Co., Ltd. 江蘇新中大會計師事務所有限公司
Wuxi Greentown Real Estate Development Co., Ltd. ("Wuxi Greentown")	Wuxi, the PRC	6 December 2007	102	85%	Real estate property development	Subsidiary	Wuxi Zhongzheng CPAs Co., Ltd. 無錫中證會計師事務所有限公司	Wuxi Zhongzheng CPAs Co., Ltd. 無錫中證會計師事務所有限公司
Tianjin Yijun Investment Co., Ltd. ("Tianjin Yijun")	Tianjin, the PRC	11 January 2008	10	80%	Real estate property development	Subsidiary	Tianjin Chengtai CPAs Co., Ltd. 天津誠泰有限責任會計師事務所	Tianjin Yuexin Huawei Certified Public Accountants 天津岳信華惟會計師事務所
Changzhou Greentown Real Estate Co., Ltd. ("Changzhou Greentown")	Changzhou, the PRC	1 November 2010	837.5	37%	Real estate property development	Jointly controlled entity	Changzhou Jiahao CPA Partnership 常州嘉浩聯合會計師事務所	Jiangsu Suya Jincheng CPAs Co., Ltd. 江蘇蘇亞金誠會計師事務所有限公司
Wuxi Taihu Greentown Real Estate Co., Ltd. ("Wuxi Taihu")	Wuxi, the PRC	25 January 2010	300	39%	Real estate property development	Associate	Wuxi Zhongzheng CPAs Co., Ltd. 無錫中證會計師事務所有限公司	Wuxi Zhongzheng CPAs Co., Ltd. 無錫中證會計師事務所有限公司

All entities now comprising the JV Target Group are limited liability companies and have adopted 31 December as their financial year end date.

\* The English names of the statutory auditors referred to in this report represent management's best effort at translating the Chinese names as no English names have been registered for these auditors.

**(c) Basis of presentation**

The Financial Information has been prepared to present the combined financial position, results of operations and cash flows of Shanghai Huazhe, Shanghai Lvshun, Suzhou Yuyuan, Suzhou Rose Garden, Wuxi Greentown and Tianjin Yijun which were controlled by Greentown Real Estate during the Relevant Periods and were managed together. Changzhou Greentown and Wuxi Taihu are also accounted for using the equity method of accounting as they were managed together by Greentown Real Estate with other companies comprising the JV Target Group.

The Financial Information has been presented on a combined basis, after excluding certain intercompany income and expenses. The financial information has been prepared to present the combined balance sheets, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the JV Target Group for the Relevant Periods or since the respective dates of incorporation of the Target Companies, or since the date when the companies comprising the JV Target Group first came under the control of Greentown Real Estate, whichever is a shorter period.

All significant intra-group transactions and balances have been eliminated on combination.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these combined financial information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

**2.1 Basis of preparation**

The combined financial statements of the JV Target Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs"). The combined financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the JV Target Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 4.

**(a) Going concern**

The JV Target Group meets its day-to-day working capital requirements through its pre-sale proceeds, bank facilities and other borrowings from third parties and related parties. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the JV Target Group's property products; and (b) the availability of bank finance for the foreseeable future. The shareholders of the Joint Venture Company have confirmed their intention to provide continuing financial support to the Joint Venture Company so as to enable the Joint Venture Company to repay its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future if necessary. During the period from 30 July 2012 to 30 September 2012, the JV Target Group has received additional cash investments of RMB550 million from Sunac Zhidi and Greentown Real Estate respectively, totaling RMB1.1 billion, of which RMB0.4 billion was capital contributions and RMB0.7 billion was shareholders' loans from Sunac Zhidi and Greentown Real Estate in proportion of their respective equity interests.

The JV Target Group's forecasts and projections, taking into account the shareholders' financial supporting and reasonably possible changes in trading performance, show that the JV Target Group should be able to operate within the level of its current facilities. After making enquiries, the directors of the Company and Greentown Real Estate have a reasonable expectation that the JV Target Group had adequate resources to continue in operational existence for the foreseeable future. The JV Target Group therefore continues to adopt the going concern basis in preparing its combined financial statements. Further information on the JV Target Group's borrowings is given in Note 14 in this section.

*(b) New standards, amendments and interpretations which have been issued and are not yet effective have not been early adopted by the JV Target Group.*

Up to the date of this report, the HKICPA has issued the following new standards, amendments and interpretations which are relevant to the JV Target Group's operation but not yet effective for the annual accounting period beginning 1 January 2012 and which have not been early adopted by the JV Target Group:

<i>HKAS 1 (Amendment)</i>	<p>Presentation of financial statements (effective on or after 1 July 2012)</p> <ul style="list-style-type: none"> <li>- The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.</li> </ul>
<i>HKFRS 7 (Amendment)</i>	<p>Disclosures – Offsetting financial assets and financial liabilities (effective on or after 1 January 2013)</p> <ul style="list-style-type: none"> <li>- The amendments also require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.</li> </ul>
<i>HKFRS 10</i>	<p>Consolidated financial statements (effective on or after 1 January 2013)</p> <ul style="list-style-type: none"> <li>- The objective of IFRS/HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.</li> </ul>
<i>HKFRS 11</i>	<p>Joint arrangements (effective on or after 1 January 2013)</p> <ul style="list-style-type: none"> <li>- HKFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.</li> </ul>

<i>HKFRS 12</i>	Disclosure of interests in other entities (effective on or after 1 January 2013) <ul style="list-style-type: none"><li>– HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles</li></ul>
<i>HKAS 27 (2011)</i>	Separate financial statements (effective on or after 1 January 2013) <ul style="list-style-type: none"><li>– HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.</li></ul>
<i>HKAS 28 (2011)</i>	Associates and joint ventures (effective on or after 1 January 2013) <ul style="list-style-type: none"><li>– HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.</li></ul>
<i>HKFRS 13</i>	Fair value measurements (effective on or after 1 January 2013) <ul style="list-style-type: none"><li>– HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.</li></ul>
<i>HKAS 19 (Amendment)</i>	Employee benefits (effective on or after 1 January 2013) <ul style="list-style-type: none"><li>– These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.</li></ul>
<i>HKAS 32 (Amendment)</i>	Financial instruments: Presentation – Offsetting financial assets and financial liabilities (effective on or after 1 January 2014) <ul style="list-style-type: none"><li>– The amendments clarify the requirements for offsetting financial instruments on the balance sheet:<ul style="list-style-type: none"><li>(i) The meaning of ‘currently has a legally enforceable right of set-off’; and</li><li>(ii) that some gross settlement systems may be considered equivalents to net settlement.</li></ul></li></ul>

<i>HKFRS 9</i>	<p>Financial instruments (effective on or after 1 January 2015)</p> <ul style="list-style-type: none"> <li>- HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply.</li> </ul>
<i>HKFRS 7 and HKFRS 9 (Amendments)</i>	<p>Mandatory effective date and transition disclosures (effective on or after 1 January 2015)</p> <ul style="list-style-type: none"> <li>- HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required.</li> </ul>

The JV Target Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the Financial information of the JV Target Group upon their initial application.

## 2.2 Subsidiaries

### 2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the management team of the JV Target Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the management team of the JV Target Group controls another entity. The management team of the JV Target Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the management team of the JV Target Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between JV Target Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the JV Target Group.

#### (a) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### **2.2.2 *Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### **2.3 *Associates***

Associates are all entities over which the management team of the JV Target Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The JV Target Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The JV Target Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the JV Target Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the JV Target Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The management team of the JV Target Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the JV Target Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the JV Target Group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transactions provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the JV Target Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

### **2.4 *Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors, that makes strategic decisions.

### **2.5 *Foreign currency translation***

#### **(a) *Functional and presentation currency***

Items included in the financial statements of each of the JV Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the majority of the assets and operations of the JV Target Group are located in the PRC, the combined financial statements are presented in Renminbi ("RMB"), which is the JV Target Group's presentation currency.



**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within "other (losses)/gains – net".

**2.6 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the JV Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Vehicles	5 years
Furniture and office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses),net" in the profit or loss.

**2.7 Land use rights**

All land in the PRC is state-owned and no individual land ownership right exists. The JV Target Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 50 to 70 years using the straight-line method. Land use rights which are used for property development for sales are transferred to properties under development upon commencement of development and are measured at lower of cost and net realisable value.

**2.8 Properties under development**

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, land use rights cost, capitalised borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

**2.9 Completed properties held for sale**

Completed properties remaining unsold as at the balance sheet dates are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

**2.10 Trade and other receivables**

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**2.11 Restricted cash**

Restricted cash includes guarantee deposits for the JV Target Group's bank loans and certain proceeds from pre-sale of properties according to the governmental regulations. For the guarantee deposits for bank loans, the restrictions are released when the JV Target Group repays the bank loans. For the restricted cash proceeds from pre-sale of properties, restrictions are to be released gradually in line with the progress of the properties' development.

**2.12 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Bank deposits which are restricted to use are not included in cash and cash equivalents.

**2.13 Paid up capital**

Capital paid up by the shareholders is classified as equity.

**2.14 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.15 Borrowings**

Borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the JV Target Group has an unconditional right to defer settlement of the liability for at least twelve months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the year in which they are incurred.

Borrowing is derecognised when, and only when the obligation specified in the contract is discharged or cancelled or expires.

#### **2.16 Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **2.17 Employee benefits**

In accordance with the rules and regulations in the PRC, the PRC based employees of the JV Target Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the JV Target Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the JV Target Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the JV Target Group in independently administrated funds managed by the governments.

#### **2.18 Provisions and contingent liabilities**

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the JV Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the management team of the JV Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### 2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the JV Target Group's activities. Revenue is shown, net of discount and after eliminating sales within the JV Target Group. Revenue is recognised as follows:

#### (a) *Sales of properties*

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and recoverability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds received from customers under current liabilities.

#### (b) *Interest income*

Interest income on bank deposits is recognized on a time proportion basis taking into account deposit balances and effective yield using the effective interest method. Interest income is reflected as finance income in the profit or loss.

### 2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the JV Target Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

### 2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the year of the lease.

#### (a) *The JV Target Group is the lessee*

Payment made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the year of the lease.

### 2.22 Financial guarantee liabilities

Financial guarantee liabilities are recognised initially at fair value. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

**3 FINANCIAL RISK MANAGEMENT****3.1 Financial risk factors**

The JV Target Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The JV Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the JV Target Group's financial performance.

Risk management is carried out by the central treasury department ("Group treasury") of Greentown Real Estate under policies approved by the board of directors. JV Target Group treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

**(a) Market risk****(i) Foreign exchange risk**

The JV Target Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC and most of the operating entities' assets and liabilities were denominated in RMB. Therefore, the foreign exchange risk is low.

**(ii) Cash flow and fair value interest rate risk**

As the JV Target Group has no significant interest-bearing assets, the JV Target Group's income and operating cash flows are substantially independent from changes in market interest rates.

The JV Target Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the JV Target Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the JV Target Group to fair value interest-rate risk. During the Relevant Periods, the JV Target Group's borrowings were all denominated in Renminbi.

The JV Target Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The table below sets out the JV Target Group's exposure to interest rate risks. Included in the tables are the liabilities at carrying amounts, categorised by maturity dates.

<i>RMB'million</i>	Floating rates			Fixed rates			Total
	Less than 1 year	1 to 5 years	Subtotal	Less than 1 year	1 to 5 Years	Subtotal	
Borrowings							
At 31 December 2009	–	1,400	1,400	–	483	483	1,883
At 31 December 2010	1,080	2,305	3,385	500	483	983	4,368
At 31 December 2011	1,580	2,283	3,863	1,064	245	1,309	5,172
At 30 June 2012	2,719	840	3,559	1,045	500	1,545	5,104

As at 31 December 2009, 2010 and 2011 and 30 June 2012, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the capitalised interest would have been higher/lower by RMB12 million, RMB22 million, RMB38 million, and RMB24 million respectively.

The JV Target Group also analyses its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

**(b) Credit risk**

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, restricted cash deposited with banks, other receivables due from related parties and third parties, notes receivables, as well as credit exposures to commercial customers who let space in our properties. Residential and commercial property sales are paid for through up-front cash transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to customers are settled in cash or using major credit cards.

With respect to banks, the larger State-owned banks in the PRC are mainly used for holding bank accounts in the JV Target Group.

Certain customers of the JV Target Group have arranged bank financing for their purchases of the properties. Certain entities of the JV Target Group have provided guarantees to secure obligations of such customers for repayments, normally up to the time when the customers obtain the legal certificates of the property ownership. Detailed disclosure of these guarantees is made in Note 26.

No credit limits were exceeded during the Relevant Periods, and management does not expect any losses from non-performance by these counterparties.

**(c) Liquidity risk**

Management of the JV Target Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank borrowings to meet its construction commitments.

Due to the dynamic nature of the underlying businesses, the JV Target Group treasury maintains flexibility in funding by its ability to move cash and cash equivalents between different entities through entrusted loan arrangements.

The table below analyses the JV Target Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date up to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances.

<i>In RMB'million</i>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Total</b>
<b>JV Target Group</b>				
<b>At 31 December 2009</b>				
Borrowings	134	134	1,923	2,191
Trade and other payables ( <i>Note 15</i> )	2,857	270	–	3,127
Financial guarantee ( <i>Note 26</i> )	–	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 December 2010</b>				
Borrowings	189	1,340	1,628	3,157
Trade and other payables ( <i>Note 15</i> )	4,983	61	–	5,044
Financial guarantee ( <i>Note 26</i> )	–	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 December 2011</b>				
Borrowings	1,827	2,632	–	4,459
Trade and other payables ( <i>Note 15</i> )	5,347	–	–	5,347
Financial guarantee ( <i>Note 26</i> )	168	–	–	168
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 30 June 2012</b>				
Borrowings	2,964	1,433	–	4,397
Trade and other payables ( <i>Note 15</i> )	5,881	–	–	5,881
Financial guarantee ( <i>Note 26</i> )	340	–	–	340
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

*Note:* Trade and other payables in this analysis do not include advance proceeds from customers and the statutory liabilities including other taxes payables and payroll & welfare payables.

### 3.2 Capital risk management

In managing its capital risk, management considers capital to include paid up capital from equity holders and borrowings. The JV Target Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for equity holders.

In order to maintain or adjust the capital structure, the JV Target Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, or sell assets to reduce debt.

The JV Target Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the JV Target Group and capital efficiency, project operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Consistent with others in the industry, the JV Target Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet, plus net debt.

The gearing ratios of the JV Target Group as at 31 December 2009, 2010 and 2011 and 30 June 2012 were as follows:

	<b>2009</b>	<b>31 December 2010</b>	<b>2011</b>	<b>30 June 2012</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total borrowings	1,883,000	4,368,000	5,172,100	5,103,650
Restricted cash	(323,332)	(4,342)	(55,148)	(157,122)
Cash and cash equivalents	(188,414)	(445,118)	(98,116)	(204,572)
	<u>1,371,254</u>	<u>3,918,540</u>	<u>5,018,836</u>	<u>4,741,956</u>
Net debts				
Total equity	682,423	1,827,864	1,401,478	1,689,724
	<u>2,053,677</u>	<u>5,746,404</u>	<u>6,420,314</u>	<u>6,431,680</u>
Total capital				
Gearing ratio	67%	68%	78%	74%

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The JV Target 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 risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### 4.1 Construction costs estimation

In the JV Target Group, each project is divided into several phases according to the development and delivery plan. Cost of sales including construction costs specific to the phases and common costs allocable to the phases are calculated based on management best estimation of the total development costs for the whole project and the allocation to each phase at the time when the costs incurred.

##### 4.2 Income taxes

The JV Target Group is subject to corporate income tax in the PRC. The JV Target Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

As disclosed in Note 8, the JV Target Group has deferred tax assets from (1) the deferred deductible expenses, which are the expenses without sufficient tax documents received as at the balance sheet dates, (2) tax losses at the entity level, and (3) unpaid land appreciation tax accrued in the cost of sales in the profit or loss, which is a timing difference between the accounting profit and tax calculation.

Based on the development costs budget and the sales pricing plan, the directors are of the view that the property projects of the JV Target Group will ultimately generate profits and the deferred tax assets on the unpaid land appreciation tax is a temporary difference. Therefore, management considers that the risk over the recoverability of the deferred tax assets could only be due to a challenge of the deductibility of the expenses currently classified as temporary differences that would result in their reclassification as permanent differences.



**4.3 PRC land appreciation taxes**

The JV Target Group is subject to land appreciation taxes in the PRC. However, since the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation and its related taxes. The JV Target Group recognised these land appreciation taxes based on management's best estimates according to its understanding of the interpretation of tax rules by various tax authorities. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income taxes and deferred income tax provisions in the years in which such taxes have been finalised with local tax authorities.

**4.4 Provision for properties under development and completed properties held for sale**

The JV Target Group assesses the carrying amounts of properties under development and completed properties held for sale based on the net realisable value of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgment and estimates of future sale price of the properties. As at 31 December 2009, 2010 and 2011 and at 30 June 2012, if the estimated future sales prices had been 10% lower, the profit or loss before income tax of the JV Target Group for the Relevant Periods would have been lower by RMB0 million, RMB0 million, RMB126 million and RMB225 million.

## 5 PROPERTY, PLANT AND EQUIPMENT

	Vehicles RMB'000	Furniture and office equipment RMB'000	Others RMB'000	Total RMB'000
<b>Year ended 31 December 2009</b>				
Opening net book amount	2,219	917	2,193	5,329
Additions	511	2,189	–	2,700
Disposals	–	(39)	–	(39)
Depreciation	(495)	(675)	(76)	(1,246)
Closing net book amount	2,235	2,392	2,117	6,744
<b>At 31 December 2009</b>				
Costs	3,878	3,504	2,268	9,650
Accumulated depreciation	(1,643)	(1,112)	(151)	(2,906)
Net book amount	2,235	2,392	2,117	6,744
<b>Year ended 31 December 2010</b>				
Opening net book amount	2,235	2,392	2,117	6,744
Additions	5,044	1,342	321	6,707
Disposals	(24)	–	–	(24)
Depreciation	(1,344)	(763)	(76)	(2,183)
Closing net book amount	5,911	2,971	2,362	11,244
<b>At 31 December 2010</b>				
Costs	8,898	4,846	2,589	16,333
Accumulated depreciation	(2,987)	(1,875)	(227)	(5,089)
Net book amount	5,911	2,971	2,362	11,244
<b>Year ended 31 December 2011</b>				
Opening net book amount	5,911	2,971	2,362	11,244
Additions	1,127	1,103	106	2,336
Depreciation	(1,672)	(967)	(218)	(2,857)
Closing net book amount	5,366	3,107	2,250	10,723
<b>At 31 December 2011</b>				
Costs	10,025	5,949	2,695	18,669
Accumulated depreciation	(4,659)	(2,842)	(445)	(7,946)
Net book amount	5,366	3,107	2,250	10,723
<b>Six months ended 30 June 2012</b>				
Opening net book amount	5,366	3,107	2,250	10,723
Additions	25	324	–	349
Disposals	–	–	(2,268)	(2,268)
Depreciation	(774)	(550)	18	(1,306)
Closing net book amount	4,617	2,881	–	7,498
<b>At 30 June 2012</b>				
Costs	10,050	6,273	427	16,750
Accumulated depreciation	(5,433)	(3,392)	(427)	(9,252)
Net book amount	4,617	2,881	–	7,498
<i>(Unaudited)</i>				
<b>Six months ended 30 June 2011</b>				
Opening net book amount	5,911	2,971	2,362	11,244
Additions	967	607	106	1,680
Depreciation	(837)	(453)	(109)	(1,399)
Closing net book amount	6,041	3,125	2,359	11,525
<b>At 30 June 2011</b>				
Costs	9,864	5,453	2,695	18,012
Accumulated depreciation	(3,823)	(2,328)	(336)	(6,487)
Net book amount	6,041	3,125	2,359	11,525

## 6 DEFERRED INCOME TAX

	2009 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	30 June 2012 <i>RMB'000</i>
Deferred income tax assets ("DTA") recoverable:				
– within 12 months	–	–	–	–
– after 12 months	9,478	11,558	25,296	63,289
	<u>9,478</u>	<u>11,558</u>	<u>25,296</u>	<u>63,289</u>
Deferred income tax liabilities to be settled:				
– within 12 months	–	–	–	–
– after 12 months	–	–	2,398	4,557
	<u>–</u>	<u>–</u>	<u>2,398</u>	<u>4,557</u>

The movements in deferred income tax assets and liabilities are as follows:

## (a) Deferred income tax assets

	Payments and accruals pending receipt of sufficient tax documents <i>RMB'000</i>	Unpaid land appreciation tax <i>RMB'000</i>	Deductible tax loss <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2009	–	–	4,059	4,059
(Charged)/credited to the profit or loss	<u>–</u>	<u>–</u>	<u>5,419</u>	<u>5,419</u>
At 31 December 2009		–	9,478	9,478
(Charged)/credited to the profit or loss	<u>374</u>	<u>–</u>	<u>1,706</u>	<u>2,080</u>
At 31 December 2010	374	–	11,184	11,558
(Charged)/credited to the profit or loss	<u>10,306</u>	<u>–</u>	<u>3,432</u>	<u>13,738</u>
At 31 December 2011	10,680	–	14,616	25,296
(Charged)/credited to the profit or loss	<u>(3,315)</u>	<u>49,153</u>	<u>(7,845)</u>	<u>37,993</u>
At 30 June 2012	<u><u>7,365</u></u>	<u><u>49,153</u></u>	<u><u>6,771</u></u>	<u><u>63,289</u></u>
<i>(Unaudited)</i>				
At 1 January 2011	374	–	11,184	11,558
(Charged)/credited to the profit or loss	<u>–</u>	<u>–</u>	<u>27,741</u>	<u>27,741</u>
At 30 June 2011	<u><u>374</u></u>	<u><u>–</u></u>	<u><u>38,925</u></u>	<u><u>39,299</u></u>

**(b) Deferred income tax liabilities**

	<b>Tax expenses paid in advance</b> <i>RMB'000</i>
At 1 January 2009	–
(Credited)/charged to profit or loss	–
At 31 December 2009	–
(Credited)/charged to profit or loss	–
At 31 December 2010	–
(Credited)/charged to profit or loss	2,398
At 31 December 2011	2,398
(Credited)/charged to profit or loss	2,159
At 30 June 2012	4,557
<i>(Unaudited)</i>	
At 1 January 2011	–
(Credited)/charged to profit or loss	–
At 30 June 2011	–

**7 PROPERTIES UNDER DEVELOPMENT**

	<b>2009</b> <i>RMB'000</i>	<b>31 December 2010</b> <i>RMB'000</i>	<b>2011</b> <i>RMB'000</i>	<b>30 June 2012</b> <i>RMB'000</i>
Comprising:				
Land use rights	4,815,851	10,789,845	10,768,974	10,303,812
Other development costs	465,986	1,312,170	2,382,400	1,844,447
Capitalised financial costs	804,543	998,903	1,392,849	1,071,461
Less: Provision for loss on realisable value	–	–	(428,082)	(428,082)
	<u>6,086,380</u>	<u>13,100,918</u>	<u>14,116,141</u>	<u>12,791,638</u>
Including:				
Properties under development to be completed within 12 months	–	643,303	5,890,706	3,353,368
Properties under development to be completed after 12 months	<u>6,086,380</u>	<u>12,457,615</u>	<u>8,225,435</u>	<u>9,438,270</u>
	<u>6,086,380</u>	<u>13,100,918</u>	<u>14,116,141</u>	<u>12,791,638</u>

The properties under development are all located in the PRC.

As at 31 December 2009, 2010 and 2011 and at 30 June 2012, certain properties under development with balance totalling RMB2,588 million, RMB7,472 million, RMB7,561 million and RMB6,983 million respectively were pledged as collaterals for the JV Target Group's borrowings (Note 14).

**APPENDIX II**

**ACCOUNTANT'S REPORT ON THE TARGET COMPANIES NO. 1 TO NO. 8**

As at 31 December 2011, due to the real estate market downturn in Suzhou, impairment for properties under development of Suzhou Yuyuan of RMB275 million and Suzhou Rose Garden of RMB153 million are provided respectively. The carrying amount of properties under development has been reduced to their recoverable amount through recognition of an impairment loss. This loss has been included in 'cost of goods sold' in the income statement.

**8 COMPLETED PROPERTIES HELD FOR SALE**

	<b>2009</b>	<b>31 December</b>	<b>2011</b>	<b>30 June</b>
	<i>RMB'000</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Completed properties held for sale	–	–	237,781	966,188

The completed properties held for sale are all located in the PRC.

As at 31 December 2009, 2010 and 2011 and at 30 June 2012, certain completed properties held for sale with balances totalling RMB0 million, RMB0 million, RMB0 million and RMB792 million were pledged as collaterals for the JV Target Group's borrowings (Note 14).

**9 PREPAYMENTS**

	<b>2009</b>	<b>31 December</b>	<b>2011</b>	<b>30 June</b>
	<i>RMB'000</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepaid business tax and surcharges	98,612	206,775	171,287	94,638
Prepaid income taxes	46,617	117,989	124,372	90,364
Prepayment for land use rights costs	445,821	85,821	85,821	85,821
	<u>591,050</u>	<u>410,585</u>	<u>381,480</u>	<u>270,823</u>

**10 TRADE AND OTHER RECEIVABLES**

	<b>2009</b>	<b>31 December</b>	<b>2011</b>	<b>30 June</b>
	<i>RMB'000</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	–	–	–	10,228
Notes receivables	–	200	750	13,250
Amount due from related party (Note 27)	262,223	914,704	257,295	125,699
Amount due from non-controlling interests (Note (a))	5,644	43,698	63,800	63,851
Guarantee deposits to trust company	–	–	–	80,000
Deposits for construction	7,046	12,714	12,286	14,541
Others	7,285	9,922	8,343	25,092
	<u>282,198</u>	<u>981,238</u>	<u>342,474</u>	<u>332,661</u>

(a) The loans to non-controlling interests are investing activities paid on demand. The loans are unsecured and interest bearing with annual rates of 0% to 13.40% for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 respectively.

(b) As at 31 December 2009, 2010 and 2011 and at 30 June 2012, the fair value of trade and other receivables approximated their carrying amounts.

(c) The carrying amounts of the JV Target Group's trade and other receivables are all denominated in RMB.

(d) The aging analysis of the JV Target Group's trade and notes receivables is as follows:

	<b>2009</b>	<b>31 December</b>	<b>2011</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days				
– Trade receivables	–	–	–	10,228
– Notes receivables	–	200	750	13,250
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The JV Target Group normally has no credit term to the customers. The trade receivables as at 30 June 2012 were receivable amount resulted from the differences between actual delivered gross floor areas (“GFA”) and the GFA agreed in the pre-sale contracts and are to be received from the customers.

Notes receivable were bank acceptance paid by certain customers, which are due within 3 months as at year/period end.

#### 11 RESTRICTED CASH

	<b>2009</b>	<b>31 December</b>	<b>2011</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee deposits for bank loans	4,000	4,200	55,128	156,845
Restricted proceeds from pre-sale of properties	319,332	142	20	277
	<u>323,332</u>	<u>4,342</u>	<u>55,148</u>	<u>157,122</u>

#### 12 CASH AND CASH EQUIVALENTS

	<b>2009</b>	<b>31 December</b>	<b>2011</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand				
– Denominated in RMB	188,414	445,118	98,116	204,572
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The JV Target Group earns interest on cash at bank, at floating bank deposit rates.

## 13 COMBINED CAPITAL AND OTHER RESERVES

	Combined paid up capital of the subsidiaries RMB'000	Other reserves RMB'000	Statutory reserves RMB'000	Total RMB'000
<b>At 1 January 2009</b>	112,200	–	–	112,200
<b>Transactions with owners</b>				
Capital contribution	610,000	(45,900)	–	564,100
<b>At 31 December 2009</b>	<b>722,200</b>	<b>(45,900)</b>	<b>–</b>	<b>676,300</b>
<b>Transactions with owners</b>				
Capital contribution	1,008,000	223,123	–	1,231,123
<b>At 31 December 2010</b>	<b>1,730,200</b>	<b>177,223</b>	<b>–</b>	<b>1,907,423</b>
<b>Transactions with owners</b>				
Capital contribution	–	84,014	–	84,014
Transactions with non-controlling interests	(120,000)	–	–	(120,000)
Statutory reserve	–	–	12,874	12,874
	(120,000)	84,014	12,874	(23,112)
<b>At 31 December 2011</b>	<b>1,610,200</b>	<b>261,237</b>	<b>12,874</b>	<b>1,884,311</b>
<b>Transactions with owners</b>				
Capital contribution	–	45,900	–	45,900
<b>At 30 June 2012</b>	<b>1,610,200</b>	<b>307,137</b>	<b>12,874</b>	<b>1,930,211</b>
<i>(Unaudited)</i>				
At 1 January 2011	1,730,200	177,223	–	1,907,423
<b>Transactions with owners</b>				
Capital contribution	–	29,308	–	29,308
Transactions with non-controlling interests	(120,000)	–	–	(120,000)
	(120,000)	29,308	–	(90,692)
<b>At 30 June 2011</b>	<b>1,610,200</b>	<b>206,531</b>	<b>–</b>	<b>1,816,731</b>

Note:

(a) PRC statutory reserves

In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising the JV Target Group, 10% of its net profit as shown in the accounts prepared under PRC accounting regulations is required to be appropriated to statutory common reserve, until the reserve reaches 50% of the registered capital. Appropriation of statutory reserve must be made before distribution of dividends to equity holders. This statutory reserve shall only be used to make up losses; to expand the JV Target Group entities' production operation; or to increase the capital.

Upon approval by a resolution of an equity holders' general meeting, the entities of the JV Target Group entities may convert this reserve into registered capital, provided that the unconverted remaining amount of reserve is not less than 25% of the registered capital.

## 14 BORROWINGS

	2009 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	30 June 2012 <i>RMB'000</i>
<b>Non-current</b>				
Secured, borrowed from:				
– Banks	1,400,000	2,305,000	2,783,000	2,979,000
– Other financial institutions	483,000	483,000	1,309,100	1,044,650
	1,883,000	2,788,000	4,092,100	4,023,650
Less: Current portion of long-term borrowings	–	–	(1,564,450)	(2,683,650)
	1,883,000	2,788,000	2,527,650	1,340,000
	<u>1,883,000</u>	<u>2,788,000</u>	<u>2,527,650</u>	<u>1,340,000</u>
	<u>2009</u> <i>RMB'000</i>	<u>31 December</u> <u>2010</u> <i>RMB'000</i>	<u>2011</u> <i>RMB'000</i>	<u>30 June</u> <u>2012</u> <i>RMB'000</i>
<b>Current</b>				
Secured, borrowed from:				
– Banks	–	1,080,000	1,080,000	1,080,000
– Other financial institutions	–	500,000	–	–
	–	–	1,564,450	2,683,650
Add: Current portion of long-term borrowings	–	–	1,564,450	2,683,650
	–	1,580,000	2,644,450	3,763,650
	<u>–</u>	<u>1,580,000</u>	<u>2,644,450</u>	<u>3,763,650</u>

In April 2009, Greentown Real Estate entered into an equity investment agreement with a third party trust investment company, pursuant to which, a trust fund scheme was to be established to finance the property development projects in certain Greentown Real Estate's subsidiaries. Under this arrangement, the trust fund scheme has provided a total investment of RMB483 million to a subsidiary of the JV Target Group, Wuxi Greentown, in which RMB45.9 million was to acquire 45% equity interests of Wuxi Greentown by the trust company on behalf of the trust fund scheme from Greentown Real Estate and the remaining RMB437.1 million was a borrowing at annual interest rate of 14% to Wuxi Greentown. This borrowing has been fully repaid in January 2012.

In March 2011, another similar arrangement was made between Greentown Real Estate and another third party trust company on a total investment of RMB823.75 million in Suzhou Yuyuan, in which, RMB23.75 million was to acquire 9.5% equity interest of Suzhou Yuyuan and RMB800 million was a borrowing at annual interest rate of 9.8%. The borrowing has been repaid in October 2012.

According to the agreements between Greentown Real Estate and the trust companies on behalf of the trust fund schemes, Greentown Real Estate has the obligations to acquire back both equity interests at the same considerations at the end of the respective borrowing periods and the trust fund schemes do not bear any operating profit or loss during the borrowing periods. In substance, the above equity interests were legally transferred to the trust companies as collaterals. Therefore, the JV Target Group accounted for the respective total investments of RMB483 million and RMB823.75 million as borrowings.

As at 31 December 2009, 2010, 2011 and as at 30 June 2012, the JV Target Group's borrowings totalling RMB1,883 million, RMB4,368 million, RMB5,172 million and RMB5,104 million respectively were secured or jointly secured by the JV Target Group's properties under development and completed properties held for sale totalling RMB2,588 million, RMB7,472 million, RMB7,561 million and RMB7,775 million respectively, certain equity interests of the entities comprising the JV Target Group (including those legally transferred as collateral).



*(a) Long-term borrowings*

The JV Target Group's borrowings as at 31 December 2009, 2010, 2011 and as at 30 June 2012 were repayable as follows:

	<b>2009</b>	<b>31 December</b>	<b>2011</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	–	–	1,564,450	2,683,650
Between 1 and 2 years	–	1,223,000	2,527,650	1,340,000
Between 2 and 5 years	1,883,000	1,565,000	–	–
	<u>1,883,000</u>	<u>2,788,000</u>	<u>4,092,100</u>	<u>4,023,650</u>

The weighted-average effective interest rates for the year ended 31 December 2009, 2010, 2011 and the six months ended 30 June 2011 and 2012 are 7.12%, 6.79%, 7.75%, 7.48% and 8.58% respectively.

**15 TRADE AND OTHER PAYABLES**

	<b>2009</b>	<b>31 December</b>	<b>2011</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	345,782	163,836	621,259	767,917
Notes payables	–	–	–	101,707
Advanced proceeds from customers	1,722,023	3,742,458	3,381,477	1,824,808
Amount due to related party (Note 27)	2,379,984	4,661,218	4,109,081	4,334,045
Amount due to non-controlling interests (Note (a))	373,073	146,341	277,456	282,876
Other taxes payable	53,089	177,011	201,479	209,201
Other payables	8,032	48,505	268,123	366,124
Interest payables	21,027	23,888	71,076	28,677
Payroll and welfare payables	2,996	3,044	3,029	2,497
	<u>4,906,006</u>	<u>8,966,301</u>	<u>8,932,980</u>	<u>7,917,852</u>

(a) The borrowing from non-controlling interests are financing activities received on demand.

The borrowings are unsecured and interest bearing with annual rates of 0% to 13.40% for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 respectively.

(b) The aging analysis of the JV Target Group's trade payables is as follows:

	<b>2009</b>	<b>31 December</b>	<b>2011</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 180 days	75,490	102,800	621,179	591,259
180 – 365 days	112	–	–	176,578
Over 365 days	270,180	61,036	80	80
	<u>345,782</u>	<u>163,836</u>	<u>621,259</u>	<u>767,917</u>

APPENDIX II

ACCOUNTANT'S REPORT ON THE TARGET COMPANIES NO. 1 TO NO. 8

16 EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Costs of properties sold:					
- Business tax and related surcharges (Note 17)	-	-	73,925	-	134,369
- Land use rights costs	-	-	199,829	-	521,361
- Other development costs	-	-	695,063	-	735,772
- Capitalized finance costs	-	-	3,317	-	228,763
Provision for loss on realizable value of properties under development			428,082		
Staff costs (Note 20)	6,083	14,456	15,944	8,886	9,775
Advertisement and promotion costs	10,519	21,694	37,571	17,948	10,484
Office and travel expenses	4,652	13,004	18,489	9,160	7,911
Other tax expenses	1,175	6,620	3,971	2,979	1,101
Consulting expenses	130	847	918	587	395
Entertainment expenses	1,664	3,287	4,115	1,582	2,380
Depreciation	704	1,298	2,089	946	1,416
Others	311	572	658	490	2,035
Total cost of sales, selling and marketing costs and administrative expenses	<u>25,238</u>	<u>61,778</u>	<u>1,483,971</u>	<u>42,578</u>	<u>1,655,762</u>

17 BUSINESS TAX AND RELATED SURCHARGES

The PRC companies now comprising the JV Target Group are subject to the following sales tax and surcharges on their revenues:

Types	Tax rate	Tax bases
(a) Business tax	5%	- Sales of properties
(b) Urban construction and maintenance tax	7%	- Business tax paid
(c) Education surcharge	3%	- Business tax paid
(d) Local education surcharge	0%-2%	- Business tax paid
(e) Anti-flood fund	0%-1%	- Business tax paid

18 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Interest income on loans to related parties	-	34,840	11,343	7,342	-
Interest income on loans to non-controlling interests	-	1,088	3,366	-	-
Government subsidy (Note (a))	-	-	-	-	6,455
Others	-	214	16	7	1,756
	<u>-</u>	<u>36,142</u>	<u>14,725</u>	<u>7,349</u>	<u>8,211</u>

Note (a)

In the six months ended 30 June 2012, Tianjin Yijun received a government subsidy of RMB6.46 million from the Tianjin Binhai New Area Management Committee.

## 19 OTHER EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Compensation for delay of delivery of properties	–	–	42,718	–	12,560
Others	60	20	882	873	111
	<u>60</u>	<u>20</u>	<u>43,600</u>	<u>873</u>	<u>12,671</u>

## 20 STAFF COSTS

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Wages and salaries	5,182	11,029	11,988	7,163	7,826
Pension costs	398	1,186	1,309	611	761
Staff welfare costs	503	2,241	2,647	1,112	1,188
	<u>6,083</u>	<u>14,456</u>	<u>15,944</u>	<u>8,886</u>	<u>9,775</u>

## 21 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

## (a) Directors' and senior management's emoluments

The Directors' emoluments are set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share options expenses RMB'000	Other benefits including pension RMB'000	Total RMB'000
Year ended 31 December 2009:						
Qian Xiaohua	–	–	–	–	–	–
Year ended 31 December 2010:						
Qian Xiaohua	–	–	–	–	–	–
Wang Hongbin	–	–	–	–	–	–
Year ended 31 December 2011:						
Qian Xiaohua	–	–	–	–	–	–
Wang Hongbin	–	–	–	–	–	–
Six months ended 30 June 2012:						
Qian Xiaohua	–	–	–	–	–	–
Wang Hongbin	–	–	–	–	–	–

Note: The Directors presented in this analysis are the Directors of the newly established Joint Venture Company.

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the JV Target Group in each of the three years ended 31 December 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 are not included in the analysis presented in Note 21(a) above. The emoluments payable to the five individuals for the year ended 31 December 2009, 2010 and 2011 and six months end 30 June 2011 and 2012 respectively are as follows:

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Salary and other benefit	3,136	2,672	5,276	1,299	1,252
Social security costs	335	445	345	200	195
Total	<u>3,471</u>	<u>3,117</u>	<u>5,621</u>	<u>1,499</u>	<u>1,447</u>

(c) In the year ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, no director or any of the five highest paid individuals received any emolument from the JV Target Group as an inducement to join, upon joining the JV Target Group, or as compensation for loss of office.

**22 FINANCE INCOME AND COSTS**

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
<b>(a) Finance income</b>					
– Interest income on bank deposits	<u>2,915</u>	<u>5,464</u>	<u>1,548</u>	<u>938</u>	<u>626</u>
<b>(b) Finance costs</b>					
Interest expenses on					
– bank borrowings	70,732	131,586	362,652	181,332	143,050
– borrowings from non-bank financial institutions	43,346	64,736	101,735	31,850	68,981
– borrowings from related parties	40,152	56,994	154,473	76,215	97,001
– borrowings from non-controlling interests	<u>36,901</u>	<u>–</u>	<u>5,991</u>	<u>404</u>	<u>11,534</u>
	191,131	253,316	624,851	289,801	320,566
Less:					
Capitalised finance costs	<u>(187,197)</u>	<u>(194,360)</u>	<u>(399,224)</u>	<u>(176,989)</u>	<u>(200,490)</u>
	<u>3,934</u>	<u>58,956</u>	<u>225,627</u>	<u>112,812</u>	<u>120,076</u>

The annual capitalisation rate used to determine the amount of the interest incurred eligible for capitalisation in the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012 were 11.11%, 7.06%, 9.76%, 8.74% and 9.91% respectively.

## 23 INCOME TAX EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Corporate income tax charge ("CIT")					
– Current income tax	–	3,601	76,323	–	163,114
– Deferred income tax	(5,419)	(2,080)	(11,340)	(27,741)	(35,834)
	<u>(5,419)</u>	<u>1,521</u>	<u>64,983</u>	<u>(27,741)</u>	<u>127,280</u>
Land appreciation tax ("LAT")	–	–	25,055	–	222,880
	<u>(5,419)</u>	<u>1,521</u>	<u>90,038</u>	<u>(27,741)</u>	<u>350,160</u>

## (a) CIT

The tax on the JV Target Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
(Loss)/profit before income tax	(26,317)	(86,161)	(420,362)	(155,574)	592,506
Income tax calculated at statutory rate of 25%	(6,579)	(21,540)	(105,091)	(38,894)	148,127
LAT deduction	–	–	(6,264)	–	(55,720)
Share of other comprehensive income of associate	–	81	(9)	45	(7)
Share of other comprehensive income of jointly controlled entity	–	1,672	4,127	1,855	2,690
Tax losses for which no deferred income tax asset was recognised	983	19,959	171,663	9,223	31,866
Non-deductible expenses	<u>177</u>	<u>1,349</u>	<u>557</u>	<u>30</u>	<u>324</u>
	<u>(5,419)</u>	<u>1,521</u>	<u>64,983</u>	<u>(27,741)</u>	<u>127,280</u>

All entities comprising the JV Target Group are incorporated and operate in the PRC. The income tax provision of the JV Target Group has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 based on existing legislations, interpretations and practices.

## (b) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the consolidated income statements as income tax expense.

## 24 CASH USED IN OPERATIONS

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
(Loss)/profit before income taxes	(26,317)	(86,161)	(420,362)	(155,574)	592,506
Adjustments for:					
– Total finance costs	3,934	58,956	225,627	112,812	120,076
– Gain on disposal of property, plant and equipment (“PP&E”)	–	–	–	–	–
– Depreciation	1,246	2,183	2,857	1,399	1,306
– Share of loss from associates and jointly control entities	–	7,013	16,471	7,598	10,732
Changes in working capital					
– Restricted cash proceeds from pre-sale of properties	(319,332)	319,190	122	–	(257)
– Properties under development and completed properties held for sale, net	(3,738,429)	(6,820,177)	(853,780)	(691,409)	796,587
– Prepayments	(544,433)	298,454	153,477	31,209	201,021
– Trade and other receivables	49,995	(8,571)	1,330	740,890	(124,454)
– Advanced proceeds from customers	1,722,023	2,020,435	(360,981)	376,531	(1,556,669)
– Trade and other payables	49,561	(46,480)	733,515	1,047,316	304,310
Cash generated from/ (used in) operating activities	(2,801,752)	(4,255,158)	(501,724)	1,470,772	345,158

In the cash flow statement, proceeds from sale of PP&E comprise:

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Net book amount (Note 5)	39	24	–	–	2,268
Proceeds from disposal of PP&E	39	24	–	–	2,268

## 25 COMMITMENTS

(a) Property development expenditure at the balance sheet date but not yet incurred is as follows:

	2009 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	30 June 2012 <i>RMB'000</i>
Property development expenditure				
– Contracted but not provided for	3,362,388	1,515,282	1,498,838	1,806,092
– Authorized but not contracted	13,477,025	22,924,840	20,357,447	19,737,951
	<u>16,839,413</u>	<u>24,440,122</u>	<u>21,856,285</u>	<u>21,544,043</u>

## (b) Operating lease commitments

The future aggregate minimum rental expenses on operating leases in respect of certain office buildings under non-cancellable operating leases contracts are payable in the following periods:

	2009 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	30 June 2012 <i>RMB'000</i>
No later than 1 year	1,915	8,890	10,591	6,495
Later than 1 year and no later than 5 years	1,646	7,315	4,766	1,619
	<u>3,561</u>	<u>16,205</u>	<u>15,357</u>	<u>8,114</u>

## 26 FINANCIAL GUARANTEE

## Guarantee on mortgage facilities

The JV Target Group had the following liabilities in respect of financial guarantees on mortgage facilities:

	2009 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	30 June 2012 <i>RMB'000</i>
Guarantees in respect of mortgage facilities for certain purchasers of the JV Target Group's property units	–	–	168,149	339,736

The JV Target Group has provided guarantees for certain customers' bank borrowings for their purchases of the JV Target Group's developed properties to secure obligations of such customers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of two to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the JV Target Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the JV Target Group is entitled to take over the legal title and possession of the related properties. The JV Target Group's guarantee period starts from the date of grant of the mortgage. The directors consider that the likelihood of default of payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

## 27 RELATED PARTY TRANSACTIONS

The JV Target Group is controlled by Greentown Real Estate during the Relevant Periods. The ultimate controlling party of the JV Target Group is Mr. Song Weiping.

## (a) Name and relationship with related parties

Name	Relationship
Greentown Real Estate	Shareholder

## (b) Transactions with related parties

During the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012, the JV Target Group had the following significant transactions with related parties:

	Year ended 31 December			Six months ended	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
(i) Borrowings from related parties					
Greentown Real Estate	<u>2,256,500</u>	<u>2,892,073</u>	<u>555,499</u>	<u>261,000</u>	<u>159,627</u>
(ii) Loans to related parties					
Greentown Real Estate	<u>262,213</u>	<u>652,469</u>	<u>14,000</u>	<u>–</u>	<u>–</u>
(iii) Collection of loan to related parties					
Greentown Real Estate	<u>–</u>	<u>–</u>	<u>671,436</u>	<u>71,434</u>	<u>134,265</u>
(iv) Repayment of borrowings from related parties					
Greentown Real Estate	<u>597,666</u>	<u>637,029</u>	<u>1,251,820</u>	<u>1,056,000</u>	<u>30,930</u>
(v) Interests income from related parties					
Greentown Real Estate	<u>–</u>	<u>34,840</u>	<u>11,343</u>	<u>7,342</u>	<u>–</u>
(vi) Interests costs to related parties					
Greentown Real Estate	<u>40,152</u>	<u>56,994</u>	<u>154,473</u>	<u>76,215</u>	<u>97,001</u>
Including:					
– capitalised interests costs	<u>36,218</u>	<u>–</u>	<u>2,043</u>	<u>–</u>	<u>15,449</u>



The borrowings/loans from/to related parties were financing activities received/paid on demand. The borrowings/loans are unsecured and interest bearing with annual rates of 0% to 13.425% for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 respectively.

The annual weighted-average interest rate for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012 were 2.62%, 1.62%, 3.53%, 3.56% and 2.30% respectively.

The directors of the JV Target Group are of the view that the related party transactions disclosed above were carried out at terms mutually negotiated between the JV Target Group entities and the respective related parties.

**(c) Key management compensation**

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. Their compensation has been disclosed in Note 21 of the financial statements.

**(d) Related party balances**

	<b>2009</b>	<b>31 December</b>		<b>30 June</b>
	<i>RMB'000</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>(i) Amount due from related parties</b>				
Greentown Real Estate	262,213	914,682	257,246	122,981

	<b>2009</b>	<b>31 December</b>		<b>30 June</b>
	<i>RMB'000</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>(ii) Amount due to related parties</b>				
Greentown Real Estate	2,379,984	4,657,182	4,103,991	4,329,689

**28 FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>2009</b>	<b>31 December</b>		<b>30 June</b>
	<i>RMB'000</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>(a) Loans and receivables</b>				
Assets as per balance sheet				
Trade and other receivables	282,198	981,238	342,474	332,661
Restricted cash	323,332	4,342	55,148	157,122
Cash and cash equivalents	188,414	445,118	98,116	204,572
<b>(b) Financial liabilities at amortised costs</b>				
Liabilities as per balance sheet				
Borrowings	1,883,000	4,368,000	5,172,100	5,103,650
Trade and other payables excluding statutory liabilities	3,127,898	5,187,788	5,346,995	5,881,346

**29 DIVIDENDS**

No dividend has been paid or declared by the entities of the JV Target Group in the Relevant Periods.

**30 INVESTMENT IN AN ASSOCIATE**

	<b>2009</b>	<b>31 December</b>	<b>2011</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Equity investment in an associate	–	34,681	90,050	90,077
Beginning of year/period	–	–	34,681	90,050
Investment in an associate ( <i>Note a</i> )	–	35,005	55,333	–
Share of (loss)/profit of an associate	–	(324)	36	27
End of year/period	–	34,681	90,050	90,077

*Note a*

On 25 January 2010, Wuxi Taihu was newly established as an associate of Greentown Real Estate.

**At 31 December 2010**

	<b>Country of</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenue</b>	<b>Profit/(loss)</b>	<b>Interest</b>
	<b>incorporation</b>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Wuxi Taihu	PRC	322,200	233,274	–	(831)	39%

**At 31 December 2011**

	<b>Assets</b>	<b>Liabilities</b>	<b>Revenue</b>	<b>Profit/(loss)</b>	<b>Interest</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Wuxi Taihu	1,636,606	1,405,709	–	92	39%

**At 30 June 2012**

	<b>Assets</b>	<b>Liabilities</b>	<b>Revenue</b>	<b>Profit/(loss)</b>	<b>Interest</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Wuxi Taihu	1,701,096	1,470,129	–	70	39%

## 31 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	2009 RMB'000	31 December 2010 RMB'000	2011 RMB'000	30 June 2012 RMB'000
Equity investment in a jointly controlled entity	–	181,429	217,353	206,594
Beginning of year/period	–	–	181,429	217,353
Investment in a jointly controlled entity ( <i>Note (a)</i> )	–	188,118	52,431	–
Share of (loss)/profit of a jointly controlled entity	–	(6,689)	(16,507)	(10,759)
End of year/period	–	181,429	217,353	206,594

*Note a*

On 1 November 2010, Changzhou Greentown was newly established as a jointly controlled entity of Greentown Real Estate.

## At 31 December 2010

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit/(loss) RMB'000	Interest %
Changzhou Greentown	PRC	1,036,661	546,315	–	(18,079)	37%

## At 31 December 2011

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit/(loss) RMB'000	Interest %
Changzhou Greentown	1,160,622	573,180	–	(44,612)	37%

## At 30 June 2012

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit/(loss) RMB'000	Interest %
Changzhou Greentown	1,190,342	631,980	–	(29,079)	37%

**32 EVENTS AFTER THE BALANCE SHEET DATE****(a) Acquisitions of new land use rights**

- (1) On 25 July 2012, Shanghai Lvshun has acquired a piece of land use right in the PRC through an open tendering process. The consideration of the acquisition approximates to RMB1,644 million.
- (2) On 13 September 2012, Shanghai Lvshun together with an independent third party jointly acquired a piece of land use right in PRC through an open tendering process. The consideration of the acquisition approximates to RMB834 million.
- (3) On 11 October 2012, the Joint Venture Company together with a third party company jointly acquired a piece of land use right in Shanghai at the consideration of RMB2.12 billion through an open tendering process.

- (b) As at 21 September 2012, Sunac Zhidi has paid RMB3,358 million to Greentown Real Estate, of which RMB1,806 million was for the acquisition of amounts due from the Target Companies to Greentown Real Estate.

**II SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by any companies comprising the JV Target Group in respect of any period subsequent to 30 June 2012 up to the date of this report.

No dividend or distribution has been declared or made by any companies comprising the JV Target Group in respect of any period subsequent to 30 June 2012.

Yours faithfully,  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

*The following is the text of a report for the Woods Golf Group received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



羅兵咸永道

30 October 2012

The Directors  
Sunac China Holdings Limited

Dear Sirs,

We report on the financial information of Shanghai Greentown Woods Golf Villas Development Co., Ltd. (the "Woods Golf") and its subsidiary (together, the "Woods Golf Group"), which comprises the consolidated balance sheets of Woods Golf as at 31 December 2009, 2010 and 2011 and 30 June 2012, the balance sheets of Woods Golf as at 31 December 2009, 2010 and 2011 and 30 June 2012, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Woods Golf for each of the years ended 31 December 2009, 2010 and 2011 and the six-month period ended 30 June 2012 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Sunac China Holdings Limited (the "Company") and is set out in Sections I to II below for inclusion in Appendix III to the circular of the Company dated 30 October 2012 (the "Circular") in connection with the proposed acquisition of Woods Golf by the Company.

Woods Golf was incorporated in the People's Republic of China ("PRC") on 19 June 2002 as a company with limited liability.

As at the date of this report, Woods Golf has direct interest in the subsidiary as set out in Note 1 of Section I below.

The directors of Woods Golf have prepared the consolidated financial statements of Woods Golf for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Company and Woods Golf.

The directors of Woods Golf are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

.....  
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The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2011.

**REPORTING ACCOUNTANT'S RESPONSIBILITY**

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

**OPINION**

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of Woods Golf and of Woods Golf Group as at 31 December 2009, 2010 and 2011 and 30 June 2012 and of Woods Golf Group's results and cash flows for the Relevant Periods then ended.

**REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION**

We have reviewed the stub period comparative financial information set out in Section I below included in Appendix III to the Circular which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of Woods Golf for the six months ended 30 June 2011 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section I below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2011.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our 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 HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section I below.

## I. FINANCIAL INFORMATION OF WOODS GOLF GROUP

The following is the financial information of Woods Golf and Woods Golf Group prepared by the directors of the Company as at 31 December 2009, 2010 and 2011 and 30 June 2012 and for each of the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012 (the "Financial Information"):

## CONSOLIDATED BALANCE SHEETS OF WOODS GOLF

	Note	As at 31 December			As at
		2009	2010	2011	30 June
		RMB'000	RMB'000	RMB'000	2012
					RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	21,492	20,310	18,577	18,383
Deferred income tax assets	6	11,324	–	3,105	9,432
		<u>32,816</u>	<u>20,310</u>	<u>21,682</u>	<u>27,815</u>
<b>Current assets</b>					
Properties under development	7	771,760	1,102,206	656,320	853,015
Completed properties held for sale	8	303,653	74,216	268,489	239,982
Prepaid taxes	9	22,273	142,283	75,665	42,653
Trade and other receivables	10	20,683	19,795	4,287	6,946
Amount due from related parties	28(d)	802,253	2,491,227	312,641	410,544
Cash and cash equivalents	11	323,995	99,035	7,083	32,991
		<u>2,244,617</u>	<u>3,928,762</u>	<u>1,324,485</u>	<u>1,586,131</u>
<b>Total assets</b>		<u><u>2,277,433</u></u>	<u><u>3,949,072</u></u>	<u><u>1,346,167</u></u>	<u><u>1,613,946</u></u>



	Note	As at 31 December			As at
		2009	2010	2011	30 June
		RMB'000	RMB'000	RMB'000	2012 RMB'000
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity owner of Woods Golf</b>					
Paid-up capital		100,000	196,080	196,080	196,080
Other reserves	12	49,041	66,067	84,340	84,340
Retained earnings		36,180	40,148	192,220	339,646
<b>Total equity</b>		<u>185,221</u>	<u>302,295</u>	<u>472,640</u>	<u>620,066</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	14	821,670	19,229	16,670	15,338
Deferred income tax liabilities	6	–	3,060	–	–
		<u>821,670</u>	<u>22,289</u>	<u>16,670</u>	<u>15,338</u>
<b>Current liabilities</b>					
Advanced proceeds from customers		194,197	738,572	438,750	268,054
Trade and other payables	13	594,827	595,297	337,586	526,312
Current income tax liabilities		111,122	30,043	14,432	68,295
Amount due to related parties	28(d)	370,396	206,656	41,089	115,881
Borrowings	14, 28(d)	–	2,053,920	25,000	–
		<u>1,270,542</u>	<u>3,624,488</u>	<u>856,857</u>	<u>978,542</u>
<b>Total liabilities</b>		<u>2,092,212</u>	<u>3,646,777</u>	<u>873,527</u>	<u>993,880</u>
<b>Total equity and liabilities</b>		<u>2,277,433</u>	<u>3,949,072</u>	<u>1,346,167</u>	<u>1,613,946</u>
<b>Net current assets</b>		<u>974,075</u>	<u>304,274</u>	<u>467,628</u>	<u>607,589</u>
<b>Total assets less current liabilities</b>		<u>1,006,891</u>	<u>324,584</u>	<u>489,310</u>	<u>635,404</u>

## BALANCE SHEETS OF WOODS GOLF

	Note	As at 31 December			As at
		2009	2010	2011	30 June
		RMB'000	RMB'000	RMB'000	2012
					RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment in a subsidiary	29	–	–	1,000	1,000
Property, plant and equipment	5	21,492	20,310	18,163	17,953
Deferred income tax assets	6	11,324	–	3,105	9,432
		<u>32,816</u>	<u>20,310</u>	<u>22,268</u>	<u>28,385</u>
<b>Current assets</b>					
Properties under development	7	771,760	1,102,206	656,320	853,015
Completed properties held for sale	8	303,653	74,216	268,489	239,982
Prepaid taxes	9	22,273	142,283	75,665	42,653
Trade and other receivables	10	20,683	19,795	4,168	4,650
Amount due from related parties	28(d)	802,253	2,491,227	313,696	415,094
Cash and cash equivalents	11	323,995	99,035	6,625	31,490
		<u>2,244,617</u>	<u>3,928,762</u>	<u>1,324,963</u>	<u>1,586,884</u>
<b>Total assets</b>		<u>2,277,433</u>	<u>3,949,072</u>	<u>1,347,231</u>	<u>1,615,269</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity owner of Woods Golf</b>					
Paid-up capital		100,000	196,080	196,080	196,080
Other reserves	12	49,041	66,067	84,340	84,340
Retained earnings		36,180	40,148	193,833	343,718
<b>Total equity</b>		<u>185,221</u>	<u>302,295</u>	<u>474,253</u>	<u>624,138</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	14	821,670	19,229	16,670	15,338
Deferred income tax liabilities	6	–	3,060	–	–
		<u>821,670</u>	<u>22,289</u>	<u>16,670</u>	<u>15,338</u>
<b>Current liabilities</b>					
Advanced proceeds from customers		194,197	738,572	438,699	267,779
Trade and other payables	13	594,827	595,297	337,088	523,838
Current income tax liabilities		111,122	30,043	14,432	68,295
Amount due to related parties	28(d)	370,396	206,656	41,089	115,881
Borrowings	14, 28(d)	–	2,053,920	25,000	–
		<u>1,270,542</u>	<u>3,624,488</u>	<u>856,308</u>	<u>975,793</u>
<b>Total liabilities</b>		<u>2,092,212</u>	<u>3,646,777</u>	<u>872,978</u>	<u>991,131</u>
<b>Total equity and liabilities</b>		<u>2,277,433</u>	<u>3,949,072</u>	<u>1,347,231</u>	<u>1,615,269</u>
<b>Net current assets</b>		<u>974,075</u>	<u>304,274</u>	<u>468,655</u>	<u>611,091</u>
<b>Total assets less current liabilities</b>		<u>1,006,891</u>	<u>324,584</u>	<u>490,923</u>	<u>639,476</u>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended	
		2009	2010	2011	30 June	
		RMB'000	RMB'000	RMB'000	2011	2012
					RMB'000	RMB'000
					(unaudited)	
<b>Revenue</b>	15	1,292,818	351,856	766,364	31,266	469,135
Cost of sales	16	(1,065,025)	(248,613)	(457,283)	(19,045)	(229,287)
<b>Gross profit</b>		227,793	103,243	309,081	12,221	239,848
Selling and marketing costs	16	(16,930)	(19,016)	(13,773)	(5,877)	(9,816)
Administrative expenses	16	(13,268)	(9,302)	(12,340)	(5,939)	(8,052)
Other income	20	7,615	131,660	65,763	53,196	13,202
Other losses		—	(146)	(3)	—	(2)
<b>Operating profit</b>		205,210	206,439	348,728	53,601	235,180
Finance income	21	1,960	694	399	408	44
Finance costs	21	(16,499)	(168,306)	(66,395)	(59,515)	(2,043)
Profit/(loss) before income tax		190,671	38,827	282,732	(5,506)	233,181
Income tax expenses	22	(76,937)	(17,833)	(112,387)	396	(85,755)
<b>Profit/(loss) for the year/period</b>		<u>113,734</u>	<u>20,994</u>	<u>170,345</u>	<u>(5,110)</u>	<u>147,426</u>
<b>Total comprehensive income</b>		<u>113,734</u>	<u>20,994</u>	<u>170,345</u>	<u>(5,110)</u>	<u>147,426</u>
Earnings per share for profits attributable to the equity owners of Woods Golf						
– Basic and diluted	23	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividends	24	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 January 2009	100,000	15,268	(43,781)	71,487
<b>Comprehensive income</b>				
Profit for the year	–	–	113,734	113,734
<b>Transactions with owners</b>				
Statutory reserve	–	33,773	(33,773)	–
<b>At 31 December 2009</b>	100,000	49,041	36,180	185,221
<b>Comprehensive income</b>				
Profit for the year		–	20,994	20,994
<b>Transactions with owners</b>				
Capital contribution	96,080	–	–	96,080
Statutory reserve	–	17,026	(17,026)	–
<b>At 31 December 2010</b>	196,080	66,067	40,148	302,295
<b>Comprehensive income</b>				
Profit for the year	–	–	170,345	170,345
<b>Transactions with owners</b>				
Statutory reserve	–	18,273	(18,273)	–
<b>At 31 December 2011</b>	196,080	84,340	192,220	472,640
<b>Comprehensive income</b>				
Profit for the period	–	–	147,426	147,426
<b>At 30 June 2012</b>	<u>196,080</u>	<u>84,340</u>	<u>339,646</u>	<u>620,066</u>
<i>(Unaudited)</i>				
At 31 December 2010	196,080	66,067	40,148	302,295
<b>Comprehensive income</b>				
(Loss) for the period	–	–	(5,110)	(5,110)
<b>At 30 June 2011</b>	<u>196,080</u>	<u>66,067</u>	<u>35,038</u>	<u>297,185</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six months ended	
		2009	2010	2011	30 June	
		RMB'000	RMB'000	RMB'000	2011	2012
					RMB'000	RMB'000
					(unaudited)	
<b>Cash flows from operating activities</b>						
Cash generated from/(used in) operations	25	1,027,165	478,865	14,626	80,829	79,094
PRC income tax paid		(26,160)	(173,017)	(83,971)	(74,177)	(14,777)
Net cash generated from/(used in) operating activities		<u>1,001,005</u>	<u>305,848</u>	<u>(69,345)</u>	<u>6,652</u>	<u>64,317</u>
<b>Cash flows from investing activities</b>						
Loans to related parties		(802,247)	(1,908,657)	(267,447)	(167,701)	(465,793)
Collection of loans from related parties		–	219,683	2,446,027	1,750,475	367,993
Purchases of property, plant and equipment	5	(127)	(955)	(445)	(8)	(1,031)
Net cash used in investing activities		<u>(802,374)</u>	<u>(1,689,929)</u>	<u>2,178,135</u>	<u>1,582,766</u>	<u>(98,831)</u>
<b>Cash flows from financing activities</b>						
Proceeds from shareholders		–	96,080	–	–	–
Proceeds from third parties' borrowings		815,000	2,053,920	1,028,900	1,003,900	–
Repayments of borrowings		(321,813)	(802,441)	(3,060,379)	(2,509,065)	(26,332)
Proceeds from related parties' borrowings		230,000	–	12,000	–	100,797
Repayment of borrowings from related parties		(574,191)	(135,000)	–	–	(12,000)
Interests paid		(32,225)	(53,438)	(181,263)	(174,383)	(2,043)
Net cash (used in)/generated from financing activities		<u>116,771</u>	<u>1,159,121</u>	<u>(2,200,742)</u>	<u>(1,679,548)</u>	<u>60,422</u>
<b>Net increase/(decrease) in cash and equivalents</b>						
Cash and cash equivalents at beginning of year/period		<u>8,593</u>	<u>323,995</u>	<u>99,035</u>	<u>99,035</u>	<u>7,083</u>
<b>Cash and cash equivalents at end of year/period</b>		<u><u>323,995</u></u>	<u><u>99,035</u></u>	<u><u>7,083</u></u>	<u><u>8,905</u></u>	<u><u>32,991</u></u>

## NOTES TO THE FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

## (a) General information

Shanghai Greentown Woods Golf Real Estate Co., Ltd. (hereafter "Woods Golf") is a limited liability company established in Shanghai, the People's Republic of China ("PRC") on 19 June 2002. The address of its registered office is No.2118 Guanghua Road, Minhang District, Shanghai, the PRC. Woods Golf is principally engaged in property development business in Shanghai, the PRC.

At the date of incorporation of Woods Golf, 綠城房地產集團有限公司 (Greentown Real Estate Group Co., Ltd.) ("Greentown Real Estate") and Shanghai Lvyu Real Estate Development Co., Ltd. ("Shanghai Lvyu") hold 51% and 49% equity interests of Woods Golf respectively.

On 15 October 2009, Greentown Real Estate acquired the 49% equity interest of Woods Golf from Shanghai Lvyu and Woods Golf became a wholly-owned subsidiary of Greentown Real Estate.

Woods Golf has one property project named Rose Garden which was located in Shanghai, the PRC and was developed from September 2004.

During the Relevant Periods, Woods Golf has only one subsidiary named Shanghai Greentown Rose Garden Resort Management Co., Ltd. ("Rose Garden Resort"), which was incorporated in Shanghai, the PRC on 1 August 2011. The principal activity of Rose Garden Resort is hotel management service in Shanghai, the PRC. Woods Golf's direct interests in Rose Garden Resort during the Relevant Periods are as follows:

	Registered capital	Direct equity interest held				Statutory auditor		
		As at 31 December 2009	2010	2011	As at 30 June 2012	2009	2010	2011
	RMB million							
Rose Garden Resort	1	NA	NA	100%	100%	NA	NA	Shanghai Saint C.P.A. Partnership

Rose Garden Resort is a limited liability company and has adopted 31 December as its financial year end date.

These financial statements are presented in thousands of units of Renminbi ("RMB'000") unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of Woods Golf are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

## 2.1 Basis of preparation

The consolidated financial statements of Woods Golf Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Woods Golf Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 4.

- (a) New standards, amendments and interpretations which have been issued and are not yet effective have not been early adopted by Woods Golf Group.

Up to the date of issue of this report, the HKICPA has issued the following new standards, amendments and interpretations which are relevant to Woods Golf Group's operation but not yet effective for the annual accounting period beginning 1 January 2012 and which have not been early adopted by Woods Golf Group:

<i>HKAS 1 (Amendment)</i>	<p>Presentation of financial statements (effective on or after 1 July 2012)</p> <ul style="list-style-type: none"> <li>- The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.</li> </ul>
<i>HKFRS 7 (Amendment)</i>	<p>Disclosures – Offsetting financial assets and financial liabilities (effective on or after 1 January 2013)</p> <ul style="list-style-type: none"> <li>- The amendments also require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.</li> </ul>
<i>HKFRS 10</i>	<p>Consolidated financial statements (effective on or after 1 January 2013)</p> <ul style="list-style-type: none"> <li>- The objective of IFRS/HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes control as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.</li> </ul>
<i>HKFRS 11</i>	<p>Joint arrangements (effective on or after 1 January 2013)</p> <ul style="list-style-type: none"> <li>- HKFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.</li> </ul>

<i>HKFRS 12</i>	Disclosure of interests in other entities (effective on or after 1 January 2013) <ul style="list-style-type: none"><li>– HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles</li></ul>
<i>HKAS 27 (2011)</i>	Separate financial statements (effective on or after 1 January 2013) <ul style="list-style-type: none"><li>– HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.</li></ul>
<i>HKAS 28 (2011)</i>	Associates and joint ventures (effective on or after 1 January 2013) <ul style="list-style-type: none"><li>– HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.</li></ul>
<i>HKFRS 13</i>	Fair value measurements (effective on or after 1 January 2013) <ul style="list-style-type: none"><li>– HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.</li></ul>
<i>HKAS 19 (Amendment)</i>	Employee benefits (effective on or after 1 January 2013) <ul style="list-style-type: none"><li>– These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.</li></ul>
<i>HKAS 32 (Amendment)</i>	Financial instruments: Presentation – Offsetting financial assets and financial liabilities (effective on or after 1 January 2014) <ul style="list-style-type: none"><li>– The amendments clarify the requirements for offsetting financial instruments on the balance sheet: (i) The meaning of ‘currently has a legally enforceable right of set-off’; and (ii) that some gross settlement systems may be considered equivalents to net settlement.</li></ul>



<i>HKFRS 9</i>	<p>Financial instruments (effective on or after 1 January 2015)</p> <ul style="list-style-type: none"> <li>– HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply.</li> </ul>
<i>HKFRS 7 and HKFRS 9 (Amendments)</i>	<p>Mandatory effective date and transition disclosures (effective on or after 1 January 2015)</p> <ul style="list-style-type: none"> <li>– HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required.</li> </ul>

Woods Golf Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the Financial information of Woods Golf Group upon their initial application.

## 2.2 Subsidiaries

### 2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which Woods Golf Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Woods Golf Group controls another entity. Woods Golf Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to Woods Golf Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between JV Target Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Woods Golf Group.

#### (a) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**2.3 Foreign currency translation***(a) Functional and presentation currency*

Items included in the financial statements of each of Woods Golf Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the majority of the assets and operations of Woods Golf Group are located in the PRC, the combined financial statements are presented in Renminbi ("RMB"), which is Woods Golf Group's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**2.4 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to Woods Golf Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	20 years
Vehicles	5 years
Furniture and office equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses)-net" in the profit or loss.

**2.5 Land use rights**

All land in the PRC is state-owned and no individual land ownership right exists. Woods Golf Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 70 years using the straight-line method. Land use rights which are held for development for sales are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon the commencement of development.

**2.6 Properties under development**

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, land use rights cost, capitalised borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

**2.7 Completed properties held for sale**

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

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

**2.8 Impairment of investments in subsidiaries and non-financial assets**

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from that subsidiary if the dividend exceeds the total comprehensive income of the subsidiary concerned in the period the dividend is declared or if the carrying amount of the subsidiary in Woods Golf's balance sheet exceeds the carrying amount of the subsidiary's net assets including goodwill in the consolidated balance sheet.

**2.9 Trade and other receivables**

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**2.10 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity of three months or less. Bank deposits which are restricted to use are not included in cash and cash equivalents.

**2.11 Paid up capital**

Capital contributed by the shareholders is classified as equity.

**2.12 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.13 Borrowings**

Borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Woods Golf Group has an unconditional right to defer settlement of the liability for at least twelve months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the year in which they are incurred.

Borrowing is derecognised when, and only when the obligation specified in the contract is discharged or cancelled or expires.

**2.14 Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by Woods Golf Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.15 Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of Woods Golf Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which Woods Golf Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, Woods Golf Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of Woods Golf Group in independently administrated funds managed by the governments.

### 2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of Woods Golf Group's activities. Revenue is shown, net of discount and after eliminating sales within Woods Golf Group. Revenue is recognised as follows:

#### (a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and recoverability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds received from customers under current liabilities.

#### (b) Service income

Hotel services income is recognized when the services are provided, the total amount of revenue and costs arising from provision of the services can be estimated reliably, and it is probable that the economic benefits associated with the transactions will flow in.

#### (c) Interest income

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, Woods Golf Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan or receivables is recognised using the original effective interest rate in finance income.

### 2.17 Dividend distribution

Dividend distribution to Woods Golf's shareholders is recognised as liabilities in the financial statements in the period in which the dividends are approved by the company's shareholders.

**3 FINANCIAL RISK MANAGEMENT****3.1 Financial risk factors**

Woods Golf Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Woods Golf Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Woods Golf Group's financial performance.

**(a) Market risk****(i) Foreign exchange risk**

Woods Golf Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC and all of the operating entities' assets and liabilities were denominated in RMB. Therefore, the foreign exchange risk is low.

**(ii) Cash flow and fair value interest rate risk**

As Woods Golf Group has no significant interest-bearing assets, Woods Golf Group's income and operating cash flows are substantially independent from changes in market interest rates.

Woods Golf Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose Woods Golf Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose Woods Golf Group to fair value interest-rate risk. During the Relevant Periods, Woods Golf Group's borrowings were all denominated in Renminbi.

Woods Golf Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The table below sets out Woods Golf Group's exposure to interest rate risks. Included in the tables are the liabilities at carrying amounts, categorised by maturity dates.

	Floating rates			Fixed rates			Total
	1 to 5 years	Over 5 years	Sub-total	1 to 5 years	Over 5 years	Sub-total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings							
At 31 December 2009	800,000	21,670	821,670	-	-	-	821,670
At 31 December 2010	-	19,229	19,229	2,053,920	-	2,053,920	2,073,149
At 31 December 2011	-	16,670	16,670	25,000	-	25,000	41,670
At 30 June 2012	15,338	-	15,338	-	-	-	15,338

As at 31 December 2009, 2010 and 2011 and 30 June 2012, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the interest expenses would have been higher/lower by RMB1.4 million, RMB17.1 million, RMB0.2 million, and RMB0 million respectively.

Woods Golf Group also analyses its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

*(iii) Price risk*

Woods Golf Group is not exposed to price risk because it did not have investment items.

*(b) Credit risk*

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, restricted cash deposited with banks, other receivables, due from related parties and third parties, notes receivables, as well as credit exposures to commercial customers who let space in our properties. Residential and commercial property sales are paid for through up-front cash transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to customers are settled in cash or using major credit cards.

With respect to banks, the larger State-owned banks in the PRC are mainly used for holding bank accounts in Woods Golf Group.

No credit limits were exceeded during the Relevant Periods, and management does not expect any losses from non-performance by these counterparties.

*(c) Liquidity risk*

Management of Woods Golf Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank borrowings to meet its construction commitments.

Due to the dynamic nature of the underlying businesses, Woods Golf Group treasury maintains flexibility in funding by its ability to move cash and cash equivalents between different entities through entrusted loan arrangements.

The table below analyses Woods Golf Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date up to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Woods Golf Group</b>	<i>RMB 'million</i>	<i>RMB 'million</i>	<i>RMB 'million</i>	<i>RMB 'million</i>	<i>RMB 'million</i>
<b>At 31 December 2009</b>					
Borrowings	51	51	931	4	1,037
Trade and other payables ( <i>Note 13</i> )	256	298	–	–	554
Amount due to related parties	370	–	–	–	370
	<u>370</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>370</u>
<b>At 31 December 2010</b>					
Borrowings	2,184	4	13	1	2,202
Trade and other payables ( <i>Note 13</i> )	102	454	–	–	556
Amount due to related parties	207	–	–	–	207
	<u>207</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>207</u>

Woods Golf Group	Less than	Between	Between	Over 5 years	Total
	1 year	1 and	2 and		
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
<b>At 31 December 2011</b>					
Borrowings	30	4	12	–	46
Trade and other payables ( <i>Note 13</i> )	81	238	–	–	319
Amount due to related parties	41	–	–	–	41
<b>At 30 June 2012</b>					
Borrowings	4	4	10	–	18
Trade and other payables ( <i>Note 13</i> )	368	140	–	–	508
Amount due to related parties	116	–	–	–	116

*Note:* Trade and other payables in this analysis do not include the statutory liabilities including other taxes payables and payroll & welfare payables.

### 3.2 Capital risk management

In managing its capital risk, management considers capital to include paid up capital from equity holders and borrowings. Woods Golf Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for equity holders.

In order to maintain or adjust the capital structure, Woods Golf Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, or sell assets to reduce debt.

Consistent with others in the industry, Woods Golf Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet, plus net debt.

The gearing ratios of Woods Golf Group as at 31 December 2009, 2010 and 2011 and 30 June 2012 were as follows:

	As at 31 December			As at
	2009	2010	2011	30 June
	RMB'000	RMB'000	RMB'000	2012
				RMB'000
Total borrowings ( <i>Note 14</i> )	821,670	2,073,149	41,670	15,338
Cash and cash equivalents ( <i>Note 11</i> )	(323,995)	(99,035)	(7,083)	(32,991)
Net debts	497,675	1,974,114	34,587	(17,653)
Total equity	185,221	302,295	472,640	620,066
Total capital	682,896	2,276,409	507,227	602,413
Gearing ratio	73%	87%	7%	-3%

The property project was financed from borrowings and proceeds from pre-sales of the properties from the customers. In the years ended 31 December 2009 and 2010, the project of Woods Golf was mainly financed from borrowings. While in the year ended 31 December 2011 and the six months ended 30 June 2012, the project was mainly financed from the proceeds from pre-sales of properties. Therefore, the gearing ratio decreased significantly.



**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Woods Golf 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 risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**4.1 Construction costs estimation**

In Woods Golf Group, the project is divided into several phases according to the development and delivery plan. Cost of sales including construction costs specific to the phases and common costs allocable to the phases are calculated based on management best estimation of the total development costs for the whole project and the allocation to each phase at the time when the costs incurred.

**4.2 Income taxes**

Woods Golf Group is subject to corporate income tax in the PRC. Woods Golf Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

As disclosed in Note 6, Woods Golf Group has deferred tax assets from (1) the deferred deductible expenses, which are the expenses without sufficient tax documents received as at the balance sheet dates, (2) tax losses at the entity level, and (3) unpaid land appreciation tax accrued in the cost of sales in the profit or loss, which is a timing difference between the accounting profit and tax calculation.

Based on the development costs budget and the sales pricing plan, the directors are of the view that the property projects of Woods Golf Group will ultimately generate profits and the deferred tax assets on the unpaid land appreciation tax is a temporary difference. Therefore, management considers that the risk over the recoverability of the deferred tax assets could only be due to a challenge of the deductibility of the expenses currently classified as temporary differences that would result in their reclassification as permanent differences.

**4.3 PRC land appreciation taxes**

Woods Golf Group is subject to land appreciation taxes in the PRC. However, since the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation and its related taxes. Woods Golf Group recognised these land appreciation taxes based on management's best estimates according to its understanding of the interpretation of tax rules by various tax authorities. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income taxes and deferred income tax provisions in the years in which such taxes have been finalised with local tax authorities.

**4.4 Provision for properties held for sale**

Woods Golf Group assesses the carrying amounts of properties held for sale based on the net realisable value of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates. As at 31 December 2009, 2010 and 2011 and at 30 June 2012, no such provision need to be accrued, based on the management assessment.

## 5 PROPERTY, PLANT AND EQUIPMENT ("PPE")

## (a) Woods Golf Group

	<b>Building</b> <i>RMB'000</i>	<b>Vehicles</b> <i>RMB'000</i>	<b>Furniture and office equipment</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2009				
Cost	31,141	4,398	2,169	37,708
Accumulated depreciation	<u>(9,310)</u>	<u>(3,232)</u>	<u>(1,449)</u>	<u>(13,991)</u>
Net book amount	<u>21,831</u>	<u>1,166</u>	<u>720</u>	<u>23,717</u>
Year ended 31 December 2009				
Opening net book amount	21,831	1,166	720	23,717
Additions	–	–	127	127
Depreciation	<u>(1,572)</u>	<u>(515)</u>	<u>(265)</u>	<u>(2,352)</u>
Closing net book amount	<u>20,259</u>	<u>651</u>	<u>582</u>	<u>21,492</u>
At 31 December 2009				
Cost	31,141	4,398	2,296	37,835
Accumulated depreciation	<u>(10,882)</u>	<u>(3,747)</u>	<u>(1,714)</u>	<u>(16,343)</u>
Net book amount	<u>20,259</u>	<u>651</u>	<u>582</u>	<u>21,492</u>
Year ended 31 December 2010				
Opening net book amount	20,259	651	582	21,492
Additions	–	749	206	955
Depreciation	<u>(1,572)</u>	<u>(304)</u>	<u>(261)</u>	<u>(2,137)</u>
Closing net book amount	<u>18,687</u>	<u>1,096</u>	<u>527</u>	<u>20,310</u>
At 31 December 2010				
Cost	31,141	5,147	2,502	38,790
Accumulated depreciation	<u>(12,454)</u>	<u>(4,051)</u>	<u>(1,975)</u>	<u>(18,480)</u>
Net book amount	<u>18,687</u>	<u>1,096</u>	<u>527</u>	<u>20,310</u>

**APPENDIX III**

**ACCOUNTANT'S REPORT ON THE  
TARGET COMPANY NO. 9**

	<b>Building</b> <i>RMB'000</i>	<b>Vehicles</b> <i>RMB'000</i>	<b>Furniture and office equipment</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Year ended 31 December 2011				
Opening net book amount	18,687	1,096	527	20,310
Additions	–	305	140	445
Disposal	–	(40)	–	(40)
Depreciation	(1,573)	(360)	(205)	(2,138)
Closing net book amount	<u>17,114</u>	<u>1,001</u>	<u>462</u>	<u>18,577</u>
At 31 December 2011				
Cost	31,141	4,133	2,622	37,896
Accumulated depreciation	(14,027)	(3,132)	(2,160)	(19,319)
Net book amount	<u><u>17,114</u></u>	<u><u>1,001</u></u>	<u><u>462</u></u>	<u><u>18,577</u></u>
Six months ended 30 June 2012				
Opening net book amount	17,114	1,001	462	18,577
Additions	–	615	416	1,031
Disposal	–	–	(2)	(2)
Depreciation	(786)	(304)	(133)	(1,223)
Closing net book amount	<u>16,328</u>	<u>1,312</u>	<u>743</u>	<u>18,383</u>
At 30 June 2012				
Cost	31,141	4,748	2,978	38,867
Accumulated depreciation	(14,813)	(3,436)	(2,235)	(20,484)
Net book amount	<u><u>16,328</u></u>	<u><u>1,312</u></u>	<u><u>743</u></u>	<u><u>18,383</u></u>
<i>(Unaudited)</i>				
Six months ended 30 June 2011				
Opening net book amount	18,687	1,096	527	20,310
Additions	–	–	8	8
Disposal	–	(40)	–	(40)
Depreciation	(786)	(176)	(110)	(1,072)
Closing net book amount	<u>17,901</u>	<u>880</u>	<u>425</u>	<u>19,206</u>
At 30 June 2011				
Cost	31,141	3,828	2,502	37,471
Accumulated depreciation	(13,240)	(2,948)	(2,077)	(18,265)
Net book amount	<u><u>17,901</u></u>	<u><u>880</u></u>	<u><u>425</u></u>	<u><u>19,206</u></u>

Depreciation charges of Woods Golf Group for each of the year ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 were expensed in selling and administrative expenses in the consolidated statement of comprehensive income.

## (b) Woods Golf

	<b>Building</b> <i>RMB'000</i>	<b>Vehicles</b> <i>RMB'000</i>	<b>Furniture and office equipment</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2009				
Cost	31,141	4,398	2,169	37,708
Accumulated depreciation	(9,310)	(3,232)	(1,449)	(13,991)
Net book amount	<u>21,831</u>	<u>1,166</u>	<u>720</u>	<u>23,717</u>
Year ended 31 December 2009				
Opening net book amount	21,831	1,166	720	23,717
Additions	–	–	127	127
Depreciation	(1,572)	(515)	(265)	(2,352)
Closing net book amount	<u>20,259</u>	<u>651</u>	<u>582</u>	<u>21,492</u>
At 31 December 2009				
Cost	31,141	4,398	2,296	37,835
Accumulated depreciation	(10,882)	(3,747)	(1,714)	(16,343)
Net book amount	<u>20,259</u>	<u>651</u>	<u>582</u>	<u>21,492</u>
Year ended 31 December 2010				
Opening net book amount	20,259	651	582	21,492
Additions	–	749	206	955
Depreciation	(1,572)	(304)	(261)	(2,137)
Closing net book amount	<u>18,687</u>	<u>1,096</u>	<u>527</u>	<u>20,310</u>
At 31 December 2010				
Cost	31,141	5,147	2,502	38,790
Accumulated depreciation	(12,454)	(4,051)	(1,975)	(18,480)
Net book amount	<u>18,687</u>	<u>1,096</u>	<u>527</u>	<u>20,310</u>

**APPENDIX III**

**ACCOUNTANT'S REPORT ON THE  
TARGET COMPANY NO. 9**

	<b>Building</b> <i>RMB'000</i>	<b>Vehicles</b> <i>RMB'000</i>	<b>Furniture and office equipment</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Year ended 31 December 2011</b>				
Opening net book amount	18,687	1,096	527	20,310
Additions	–	–	21	21
Disposal	–	(40)	–	(40)
Depreciation	(1,572)	(354)	(202)	(2,128)
Closing net book amount	<u>17,115</u>	<u>702</u>	<u>346</u>	<u>18,163</u>
<b>At 31 December 2011</b>				
Cost	31,141	3,830	2,502	37,473
Accumulated depreciation	(14,026)	(3,128)	(2,156)	(19,310)
Net book amount	<u>17,115</u>	<u>702</u>	<u>346</u>	<u>18,163</u>
<b>Six months ended 30 June 2012</b>				
Opening net book amount	17,115	702	346	18,163
Additions	–	614	342	956
Disposal	–	–	(2)	(2)
Depreciation	(786)	(266)	(112)	(1,164)
Closing net book amount	<u>16,329</u>	<u>1,050</u>	<u>574</u>	<u>17,953</u>
<b>At 30 June 2012</b>				
Cost	31,141	4,444	2,786	38,371
Accumulated depreciation	(14,812)	(3,394)	(2,212)	(20,418)
Net book amount	<u>16,329</u>	<u>1,050</u>	<u>574</u>	<u>17,953</u>
<i>(Unaudited)</i>				
<b>Six months ended 30 June 2011</b>				
Opening net book amount	18,687	1,096	527	20,310
Additions	–	–	8	8
Disposal	–	(40)	–	(40)
Depreciation	(786)	(176)	(110)	(1,072)
Closing net book amount	<u>17,901</u>	<u>880</u>	<u>425</u>	<u>19,206</u>
<b>At 30 June 2011</b>				
Cost	31,141	3,828	2,502	37,471
Accumulated depreciation	(13,240)	(2,948)	(2,077)	(18,265)
Net book amount	<u>17,901</u>	<u>880</u>	<u>425</u>	<u>19,206</u>

As at 31 December 2009, 2010 and 2011 and at 30 June 2012, buildings with balances totalling RMB20 million, RMB19 million, RMB17 million, RMB16 million respectively were pledged as collaterals for Woods Golf Group's borrowings (Note 14).

## 6 DEFERRED INCOME TAX ASSETS AND LIABILITIES – WOODS GOLF GROUP AND WOODS GOLF

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets recoverable:				
– within 12 months	11,324	–	3,105	9,432
Deferred income tax liabilities to be settled:				
– within 12 months	–	3,060	–	–

The movements in deferred income tax assets of both Woods Golf Group and Woods Golf during the Relevant Periods are as follows:

## (a) Deferred income tax assets

	Unpaid land appreciation tax RMB'000	Deductible tax loss RMB'000	Total RMB'000
At 31 December 2009	11,324	–	11,324
(Charged)/Credited to the profit or loss	(11,324)	–	(11,324)
At 31 December 2010	–	–	–
(Charged)/Credited to the profit or loss	2,701	404	3,105
At 31 December 2011	2,701	404	3,105
(Charged)/Credited to the profit or loss	5,712	615	6,327
At 30 June 2012	8,413	1,019	9,432
<i>(Unaudited)</i>			
At 31 December 2010	–	–	–
(Charged)/Credited to the profit or loss	4,024	–	4,024
At 30 June 2011	4,024	–	4,024

## (b) Deferred income tax liabilities

	Tax expenses paid in advance RMB'000
At 31 December 2009	–
(Credited)/Charged to the profit or loss	3,060
At 31 December 2010	3,060
(Credited)/Charged to the profit or loss	(3,060)
At 31 December 2011 and 30 June 2011 and 2012	–

## 7 PROPERTIES UNDER DEVELOPMENT – WOODS GOLF GROUP AND WOODS GOLF

	As at 31 December			As at
	2009	2010	2011	30 June
	RMB'000	RMB'000	RMB'000	2012
				RMB'000
Comprising:				
Land use rights	682,414	682,414	507,463	462,027
Other development costs	83,178	413,622	146,211	388,663
Capitalised financial costs	6,168	6,170	2,646	2,325
	<u>771,760</u>	<u>1,102,206</u>	<u>656,320</u>	<u>853,015</u>

As at 31 December 2009 and 2010, certain properties under development with balances totalling RMB610 million, RMB627 million respectively were pledged as collaterals for Woods Golf Group's borrowings (2011 and 30 June 2012: Nil) (Note 14).

The properties under development of Woods Golf Group are all located in the PRC.

## 8 COMPLETED PROPERTIES HELD FOR SALE – WOODS GOLF GROUP AND WOODS GOLF

	As at 31 December			As at
	2009	2010	2011	30 June
	RMB'000	RMB'000	RMB'000	2012
				RMB'000
Completed properties held for sale, at cost	<u>303,653</u>	<u>74,216</u>	<u>268,489</u>	<u>239,982</u>

As at 31 December 2009, 2010 and 2011 and at 30 June 2012, no completed properties held for sale was pledged as collaterals for Woods Golf Group's borrowings.

The completed properties held for sale are all located in the PRC.

## 9 PREPAID TAXES – WOODS GOLF GROUP AND WOODS GOLF

	As at 31 December			As at
	2009	2010	2011	30 June
	RMB'000	RMB'000	RMB'000	2012
				RMB'000
Prepaid income taxes	–	88,488	38,296	14,854
Prepaid business taxes and surcharges	<u>22,273</u>	<u>53,795</u>	<u>37,369</u>	<u>27,799</u>
	<u>22,273</u>	<u>142,283</u>	<u>75,665</u>	<u>42,653</u>

## 10 TRADE AND OTHER RECEIVABLES

## (a) Woods Golf Group

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	4,000	5,000	–	–
Deposits and other receivables	16,683	14,795	4,287	6,946
	<u>20,683</u>	<u>19,795</u>	<u>4,287</u>	<u>6,946</u>

## (b) Woods Golf

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	4,000	5,000	–	–
Deposits and other receivables	16,683	14,795	4,168	4,650
	<u>20,683</u>	<u>19,795</u>	<u>4,168</u>	<u>4,650</u>

- (a) As at 31 December 2009, 2010 and 2011 and at 30 June 2012, the fair value of trade and other receivables approximated their carrying amounts.
- (b) The carrying amounts of Woods Golf Group's trade and other receivables are all denominated in RMB.
- (c) As at 31 December 2009 and 2010, trade receivables are all aged within 90 days.



**APPENDIX III**

**ACCOUNTANT'S REPORT ON THE  
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**11 CASH AND CASH EQUIVALENTS**

**(a) Woods Golf Group**

	<b>2009</b>	<b>As at 31 December</b>		<b>As at 30 June</b>
	<i>RMB'000</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand denominated in RMB	323,995	99,035	7,083	32,991

**(b) Woods Golf**

	<b>2009</b>	<b>As at 31 December</b>		<b>As at 30 June</b>
	<i>RMB'000</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand denominated in RMB	323,995	99,035	6,625	31,490

Woods Golf Group earns interest on cash at bank, at floating bank deposit rates.

**12 OTHER RESERVE – WOODS GOLF GROUP AND WOODS GOLF**

	<b>Statutory reserve <i>RMB'000</i></b>
At 31 January 2009	15,268
Statutory reserve	<u>33,773</u>
<b>At 31 December 2009</b>	49,041
Capital contribution	–
Statutory reserve	<u>17,026</u>
<b>At 31 December 2010</b>	66,067
Statutory reserve	<u>18,273</u>
<b>At 31 December 2011 and 30 June 2012</b>	<u><u>84,340</u></u>
<i>(Unaudited)</i>	
<b>At 31 December 2010</b>	66,067
Statutory reserve	<u>–</u>
<b>At 30 June 2011</b>	<u><u>66,067</u></u>

**(a) PRC statutory reserves**

In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising Woods Golf Group, 10% of its net profit as shown in the accounts prepared under PRC accounting regulations is required to be appropriated to statutory common reserve, until the reserve reaches 50% of the registered capital. Appropriation of statutory reserve must be made before distribution of dividends to equity holders.

This reserve shall only be used to make up losses; to expand Woods Golf Group entities' production operation; or to increase the capital.

Upon approval by a resolution of an equity holders' general meeting, Woods Golf Group may convert this reserve into capital, provided that the unconverted remaining amount of reserve is not less than 25% of the registered capital.

**13 TRADE AND OTHER PAYABLES****(a) Woods Golf Group**

	As at 31 December			As at
	2009	2010	2011	30 June
	RMB'000	RMB'000	RMB'000	2012
				RMB'000
Trade payables ( <i>Note (i)</i> )	536,051	537,540	281,826	472,082
Other taxes payable	40,893	36,096	17,970	17,395
Other payables	17,883	15,936	37,045	36,462
Interest payables	–	2,829	–	–
Payroll and welfare payables	–	2,896	745	373
	<u>594,827</u>	<u>595,297</u>	<u>337,586</u>	<u>526,312</u>

*Note (i):* The aging analysis of the trade payables of Woods Golf Group at each balance sheet date of the Relevant Periods is as follows:

	As at 31 December			As at
	2009	2010	2011	30 June
	RMB'000	RMB'000	RMB'000	2012
				RMB'000
Within 90 days	194,304	83,460	37,566	331,934
90-180 days	–	–	2,094	–
180-365 days	44,127	–	4,520	–
Over 365 days	297,620	454,080	237,646	140,148
	<u>536,051</u>	<u>537,540</u>	<u>281,826</u>	<u>472,082</u>

## (b) Woods Golf

	As at 31 December			As at
	2009	2010	2011	30 June
	RMB'000	RMB'000	RMB'000	2012
				RMB'000
Trade payables (Note (i))	536,051	537,540	281,437	470,456
Other taxes payable	40,893	36,096	17,970	17,395
Other payables	17,883	15,936	36,936	35,614
Interest payables	–	2,829	–	–
Payroll and welfare payables	–	2,896	745	373
	<u>594,827</u>	<u>595,297</u>	<u>337,088</u>	<u>523,838</u>

Note (i): The aging analysis of the trade payables of Woods Golf at each balance sheet date of the Relevant Periods is as follows:

	As at 31 December			As at
	2009	2010	2011	30 June
	RMB'000	RMB'000	RMB'000	2012
				RMB'000
Within 90 days	194,304	83,460	37,177	330,308
90-180 days	–	–	2,094	–
180-365 days	44,127	–	4,520	–
Over 365 days	297,620	454,080	237,646	140,148
	<u>536,051</u>	<u>537,540</u>	<u>281,437</u>	<u>470,456</u>

## 14 BORROWINGS – WOODS GOLF GROUP AND WOODS GOLF

	As at 31 December			As at
	2009	2010	2011	30 June
	RMB'000	RMB'000	RMB'000	2012
				RMB'000
<b>Non-current</b>				
Secured, borrowed from banks	<u>821,670</u>	<u>19,229</u>	<u>16,670</u>	<u>15,338</u>
<b>Current</b>				
Secured, borrowed from other financial institutions	–	500,000	–	–
Unsecured, borrowed from	–	–	–	–
– shareholders	–	1,553,920	–	–
– third parties	–	–	25,000	–
	<u>–</u>	<u>2,053,920</u>	<u>25,000</u>	<u>–</u>
<b>Total</b>	<u>821,670</u>	<u>2,073,149</u>	<u>41,670</u>	<u>15,338</u>

As at 31 December 2009, 2010 and 2011 and as at 30 June 2012, Woods Golf Group's borrowings totalling RMB822 million, RMB519 million, RMB17 million and RMB15 million respectively were secured or jointly secured by Woods Golf Group's buildings and properties under development totalling RMB640 million, RMB646 million, RMB17 million and RMB16 million (Note 5, 7).

**(i) Long-term borrowings**

The borrowings as at each of the balance sheet dates in the reporting periods were repayable as follows:

	As at 31 December			As at
	2009	2010	2011	30 June
	RMB'000	RMB'000	RMB'000	2012
				RMB'000
Between 2 and 5 years	800,000	–	–	15,338
Over 5 years	21,670	19,229	16,670	–
	<u>821,670</u>	<u>19,229</u>	<u>16,670</u>	<u>15,338</u>

(ii) As at each of the balance sheet dates in the Relevant Periods, there is no committed undrawn banking facility for Woods Golf Group and Woods Golf.

(iii) The carrying amounts of Woods Golf Group's borrowings are denominated in RMB and approximate their fair value because the floating interest rates of the borrowings approximate the market interest rates at the balance sheet dates and accordingly, the effect of discounting is not material.

**15 REVENUE**

	Year ended 31 December			Six months ended	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Sales of properties	1,292,818	351,856	766,364	31,266	465,373
Hotel management service	–	–	–	–	3,762
	<u>1,292,818</u>	<u>351,856</u>	<u>766,364</u>	<u>31,266</u>	<u>469,135</u>

**16 EXPENSES BY NATURE**

	Year ended 31 December			Six months ended	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cost of properties sold:					
– Land use rights costs	241,418	55,973	118,479	4,117	54,273
– Other development costs	568,400	131,699	290,626	9,710	140,123
– Business tax and related surcharges (Note 17)	70,459	19,176	42,533	1,876	25,804
– Capitalised interests	184,748	41,765	5,645	3,342	9,087
Staff costs (Note 18)	10,410	9,790	5,782	2,307	5,124
Depreciation	2,352	2,137	2,138	1,072	1,223
Advertisement and promotion costs	9,665	7,321	9,652	4,199	5,318
Office and travel expenses	1,497	2,130	1,704	776	61
Entertainment expense	1,274	921	830	500	471
Consulting expenses	301	111	1,562	1,562	135
Other tax expenses	918	1,419	968	147	2,540
Others	3,781	4,489	3,477	1,253	2,996
	<u>1,095,223</u>	<u>276,931</u>	<u>483,396</u>	<u>30,861</u>	<u>247,155</u>
Total cost of sales, selling and marketing costs and administrative expenses					

## 17 BUSINESS TAX AND RELATED SURCHARGES

The PRC companies now comprising Woods Golf Group are subject to business tax on their revenues at the following rates:

Types	Tax rate	Tax bases
(a) Business tax	5%	– Sales of properties – Services income
(b) Urban construction and maintenance tax	7%	– Business tax paid
(c) Education surcharge	3%	– Business tax paid
(d) Local education surcharge	0%-2%	– Business tax paid
(e) Anti-flood fund	0%-1%	– Business tax paid

## 18 STAFF COSTS

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Wages and salaries	28,087	34,893	38,192	17,502	25,356
Social security costs	6,741	8,375	9,083	594	1,936
Staff welfare	3,931	4,885	5,254	2,211	1,202
	<u>38,759</u>	<u>48,153</u>	<u>52,529</u>	<u>20,307</u>	<u>28,494</u>
Less: Staff costs capitalised in properties under development	<u>(28,349)</u>	<u>(38,363)</u>	<u>(46,747)</u>	<u>(18,000)</u>	<u>(23,370)</u>
Charged to profit or loss (Note 16)	<u>10,410</u>	<u>9,790</u>	<u>5,782</u>	<u>2,307</u>	<u>5,124</u>

Staff costs are divided in the statement of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Selling and marketing costs	3,159	6,017	513	117	2,224
Administrative expenses	7,251	3,773	5,269	2,190	2,900
	<u>10,410</u>	<u>9,790</u>	<u>5,782</u>	<u>2,307</u>	<u>5,124</u>

## 19 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

## (a) Directors' and senior management's emoluments

The directors' emoluments are set out below:

Name of Directors	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Inducement fees RMB'000	Other benefits including pension RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Years ended 31 December 2009:							
Song Weiping	-	-	-	-	-	-	-
Shou Bainian	-	-	-	-	-	-	-
Wang Hongbin	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Years ended 31 December 2010:							
Song Weiping	-	-	-	-	-	-	-
Wang Hongbin	-	-	-	-	-	-	-
Wu Biao	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Years ended 31 December 2011 and six months ended 30 June 2012:							
Song Weiping	-	-	-	-	-	-	-
Wang Hongbin	-	-	-	-	-	-	-
Wu Aiping	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Six months ended 30 June 2011:							
Song Weiping	-	-	-	-	-	-	-
Wang Hongbin	-	-	-	-	-	-	-
Wu Biao	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## (b) Five highest paid individuals

The five individuals whose emoluments were the highest in Woods Golf Group in each of the three years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012 are not included in the analysis presented in Note 19(a) above. The emoluments payable to the five individuals for the year ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2011 and 2012 respectively are as follows:

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Salary and benefit	1,630	1,980	1,552	1,024	741
Social security costs	314	206	354	158	168
	<u>1,944</u>	<u>2,186</u>	<u>1,906</u>	<u>1,182</u>	<u>909</u>

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The emoluments fell within the following bands:

Emolument bands	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
RMB0 ~ RMB1 million	5	5	5	5	5

- (c) In the year ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012, no director or any of the five highest paid individuals received any emolument from Woods Golf Group as an inducement to join, upon joining Woods Golf Group, or as compensation for loss of office.

**20 OTHER INCOME**

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Interest income on loans to related party	7,564	131,530	65,596	53,101	13,184
Others	51	130	167	95	18
	<u>7,615</u>	<u>131,660</u>	<u>65,763</u>	<u>53,196</u>	<u>13,202</u>

**21 FINANCE INCOME AND COSTS**

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
(i) Finance income:					
Interest income on:					
– Interest income on bank deposits	(1,960)	(694)	(399)	(408)	(44)
(ii) Finance costs:					
Interest expenses on:					
– Bank borrowings	32,225	9,626	1,261	625	599
– Borrowings from non-bank financial institutions	–	25,333	21,903	21,903	–
– Borrowings from related party	23,887	133,347	42,670	36,987	–
– Borrowings from third party	–	–	561	–	1,444
	<u>56,112</u>	<u>168,306</u>	<u>66,395</u>	<u>59,515</u>	<u>2,043</u>
Less: Capitalised interests	<u>(39,613)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>16,499</u>	<u>168,306</u>	<u>66,395</u>	<u>59,515</u>	<u>2,043</u>

The annual capitalisation rate used to determine the amount of the interest incurred eligible for capitalisation at each balance sheet date in the Relevant Periods were 8.48%, 0%, 0%, 0% and 0%.

## 22 INCOME TAX EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Corporate income tax ("CIT")					
– Current income tax	45,832	(7,107)	63,262	5,750	55,553
– Deferred income tax	(7,680)	14,384	(6,165)	(7,084)	(6,327)
	<u>38,152</u>	<u>7,277</u>	<u>57,097</u>	<u>(1,334)</u>	<u>49,226</u>
Land appreciation tax ("LAT")	<u>38,785</u>	<u>10,556</u>	<u>55,290</u>	<u>938</u>	<u>36,529</u>
	<u><u>76,937</u></u>	<u><u>17,833</u></u>	<u><u>112,387</u></u>	<u><u>(396)</u></u>	<u><u>85,755</u></u>

## (a) CIT

The tax on Woods Golf Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Profit before income tax	<u>190,671</u>	<u>38,827</u>	<u>282,732</u>	<u>(5,506)</u>	<u>233,181</u>
Income tax calculated at statutory rate	47,668	9,707	70,683	(1,377)	58,295
LAT deduction	(9,696)	(2,639)	(13,823)	(235)	(9,132)
Other non-deductible expenses	<u>180</u>	<u>209</u>	<u>237</u>	<u>278</u>	<u>63</u>
	<u><u>38,152</u></u>	<u><u>7,277</u></u>	<u><u>57,097</u></u>	<u><u>(1,334)</u></u>	<u><u>49,226</u></u>

All entities comprising Woods Golf Group are incorporated and operate in the PRC. The income tax provision of Woods Golf Group has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012 based on existing legislations, interpretations and practices.

## (b) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in profit or loss as income tax expense.

## 23 EARNINGS PER SHARE

No earnings per share information is presented as Woods Golf is not a company registered with share capital hence calculation of earnings per share is not applicable.



**24 DIVIDENDS**

No dividend has been paid or declared by the board of directors.

**25 CASH GENERATED FROM/(USED IN) OPERATIONS****(a) Cash generated from/(used in) operations**

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
Profit/(loss) before income taxes	190,671	38,827	282,732	(5,506)	233,181
Adjustments for:					
Depreciation charges	2,352	2,137	2,138	1,072	1,223
Loss on disposal of PPE	–	–	40	40	2
Changes in working capital					
– Properties under development and completed properties held for sale	561,489	(68,879)	278,167	4,673	(166,145)
– Prepayments	5,527	(31,522)	16,426	53,794	9,570
– Trade and other receivables	(14,285)	888	15,514	(5,525)	(2,762)
– Advanced proceeds from customers	(72,450)	544,376	(299,822)	171,841	(170,696)
– Trade and other payables	353,861	(6,962)	(280,569)	(139,560)	174,721
Cash generated from/(used in) operations	<u>1,027,165</u>	<u>478,865</u>	<u>14,626</u>	<u>80,829</u>	<u>79,094</u>

**26 COMMITMENTS**

Property development expenditure at the balance sheet date but not yet incurred is as follows:

	As at 31 December			As at
	2009 RMB'000	2010 RMB'000	2011 RMB'000	30 June 2012 RMB'000
Property development expenditure				
– Contracted but not provided for	155,560	400,159	403,498	353,001
– Authorised but not contracted for	<u>2,718,649</u>	<u>2,500,633</u>	<u>1,958,772</u>	<u>1,781,793</u>
	<u>2,874,209</u>	<u>2,900,792</u>	<u>2,362,270</u>	<u>2,134,794</u>

## 27 FINANCIAL INSTRUMENTS – WOODS GOLF GROUP

	Loans and receivables			As at
	As at 31 December			30 June
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets as per balance sheets</b>				
Amount due from related parties	802,253	2,491,227	312,641	410,544
Other receivables	20,683	19,795	4,287	6,946
Cash and cash equivalents	323,995	99,035	7,083	32,991
	<u>1,146,931</u>	<u>2,610,057</u>	<u>324,011</u>	<u>450,481</u>
<b>Financial liabilities at amortised costs</b>				
	As at 31 December			As at
	As at 31 December			30 June
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Liabilities as per balance sheets</b>				
Borrowings	821,670	2,073,149	41,670	15,338
Trade and other payables other than statutory payables	553,934	556,305	318,871	508,544
Amount due to related parties	370,396	206,656	41,089	115,881
	<u>1,746,000</u>	<u>2,836,110</u>	<u>401,630</u>	<u>639,763</u>

## 28 RELATED PARTY TRANSACTIONS

## (a) Name and relationship with related parties

Name	Relationship
Greentown Real Estate	Shareholder

**(b) Transactions with related parties**

During the Relevant Periods, Woods Golf Group had the following significant transactions with related parties:

	Year ended 31 December			Six months ended 30 June	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (unaudited)	2012 RMB'000
(i) Loan to Greentown Real Estate	802,247	1,908,657	267,447	167,701	465,793
(ii) Receiving of funds from Greentown Real Estate	–	219,683	2,446,027	1,750,475	367,993
(iii) Borrowing from Greentown Real Estate ( <i>Note 16</i> )	230,000	1,553,920	12,000	–	100,797
(iv) Repayment of borrowing to Greentown Real Estate	574,191	135,000	–	–	12,000
(v) Interest receivable from Greentown Real Estate	7,564	131,530	65,596	53,101	13,184
(vi) Interest expenses payable to Greentown Real Estate	23,887	133,347	42,670	36,987	–

The loans to related parties were unsecured and interest bearing with annual rates of 6.565% for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 respectively.

The borrowings from related parties were unsecured and interest bearing with annual rates of 10.980% for the years ended 31 December 2009.

The directors of Woods Golf are of the view that the related party transactions disclosed above were carried out at terms mutually negotiated between Woods Golf Group and the respective related parties.

**(c) Key management compensation**

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. Their compensation has been disclosed in Note 19 of the financial statements.

**(d) Related party balances**

	<b>2009</b>	<b>As at 31 December</b>		<b>As at</b>
	<i>RMB'000</i>	<b>2010</b>	<b>2011</b>	<b>30 June</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<b>2012</b>
				<i>RMB'000</i>
(i) Amount due from related parties				
– Greentown Real Estate	802,247	2,491,221	312,641	410,441
(ii) Borrowings				
– Greentown Real Estate	–	1,553,920	–	–
(iii) Amount due to related parties				
– Greentown Real Estate	369,903	205,842	40,207	115,881

**29 INVESTMENT IN SUBSIDIARY**

	<b>2009</b>	<b>As at 31 December</b>		<b>As at</b>
	<i>RMB'000</i>	<b>2010</b>	<b>2011</b>	<b>30 June</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<b>2012</b>
				<i>RMB'000</i>
Investment in Rose Garden Resort, at cost	–	–	1,000	1,000

**30 SIGNIFICANT SUBSEQUENT EVENTS**

There are no subsequent events in Woods Golf Group during the periods from 30 June 2012 to the date of this report.

**II. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by Woods Golf or its subsidiary in respect of any period subsequent to 30 June 2012 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by Woods Golf or its subsidiary in respect of any period subsequent to 30 June 2012.

Yours faithfully,  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

## OUR REGISTERED AND PRINCIPAL OFFICES

<i>Registered Office</i>	<i>Principal Place of Business in the PRC</i>	<i>Principal Place of Business in Hong Kong</i>
Landmark Square, 3rd Floor 64 Earth Close P.O. Box 30592 Grand Cayman KY1-1203 Cayman Islands	3/F, Building A3, Magnetic Plaza Binshuixi Road Nankai District Tianjin 300381 PRC	8/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

### PAYING AGENT

Deutsche Bank AG,  
Hong Kong Branch  
Level 52  
International Commerce Center  
1 Austin Road West  
Kowloon  
Hong Kong

### TRUSTEE AND COLLATERAL AGENT

DB Trustees  
(Hong Kong) Limited  
Level 52  
International Commerce Center  
1 Austin Road West  
Kowloon  
Hong Kong

### NOTE REGISTRAR

Deutsche Bank  
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## OUR LEGAL ADVISORS

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Beijing 100022  
PRC

## INDEPENDENT AUDITOR

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
22/F, Prince's Building  
Central  
Hong Kong

**SUNAC 融創中國**